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# Latin America Report



FOREIGN BROADCAST INFORMATION SERVICE

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6 January 1986

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EEC AGREES TO DEFICIT BALANCE OF ANDEAN GROUP EXPORTS

Lima EL COMERCIO in Spanish 31 Oct 85 p A-8

[Text] The assistant director of foreign relations of the European Economic Community (EEC), Jose Loeff, stated yesterday that the EEC member countries will allow a deficit in their balance of trade with the Andean Group as long as Bolivia, Colombia, Ecuador, Peru and Venezuela continue to suffer difficult financial straits.

Loeff, participating in the seminar titled "Prospects for Cooperation between the European Community and the Andean Group" that concluded yesterday, stated that the European Common Market is open to exports from the Andean countries.

"We understand your difficulties, and we are aware that the decline in your purchases from Europe is the result of your adjustment programs," he stated during the press conference he held at the headquarters of the Cartagena agreement.

He noted that the average Andean-European trade, in both directions, amounts to some \$8 billion per year; he revealed, however, that in 1983 and 1984 the trade deficit with the EEC was \$2 billion, after 15 years of balance.

Andean Pact statistics indicate that between 1970 and 1983, Peruvian exports to the EEC totaled \$6.009 billion, while imports during that same period amounted to \$5.972 billion.

The European Common Market, which is the principal buyer of Peruvian textiles, is made up of the Federal Republic of Germany, Belgium, Denmark, France, Great Britain, Greece, Holland, Italy, Ireland and Luxembourg. Next year Spain and Portugal will be added to the list.

Technical Cooperation with Andean Group

Loeff declared that the EEC intends to maintain its technical cooperation programs with the Andean Group, which in the last 5 years have represented a contribution of \$180 million.

# DEVELOPMENTS LEADING UP TO ELECTION, AFTERMATH REPORTED

## NLP 'No' to PLP Link

Hamilton THE ROYAL GAZETTE in English 21 Sep 85 pp 1, 3

[Text]

National Liberal Party (NLP) officials yesterday firmly rejected calls from a shadowy pressure group for an election alliance with the Progressive Labour Party (PLP).

A mystery group is urging the two Opposition parties to form a pact and warns they could split the anti-Government vote giving Premier the Hon. John Swan a landslide election victory.

But NLP officials hurriedly dismissed the plea for an alliance while the PLP promised the proposal would be considered by their powerful Central Committee.

The committee to affect a coalition drew up a detailed list of advantages and disadvantages of an alliance at a brainstorming session.

The group, which is believed to include Amalgamated Bermuda Union of Teachers president Mr. Glenn Fubler, decided it needed no name as it represented members of all Opposition forces.

A memo on the meeting,

drawn up by the group's recording secretary, adds if South African businessmen can meet with African National Congress leader Mr. Oliver Tomba then the PLP and NLP can certainly meet.

The group is thought to have developed after the success of the Anti-Apartheid Coalition which has drawn together the two Opposition parties and major unions.

Their document lists nine disadvantages to failing to coalesce, including the possibility the UBP will win the PLP strongholds of Devonshire North, the seats of PLP leader Mrs. Lois Browne Evans, and deputy leader Mr. Frederick Wade.

But it adds an advantage of no coalition is that: "John Swan gets an opportunity to head an all-black government with real advantages for the upwardly mobile black."

Last night Mr. Fubler refused to comment, but added: "I'm not denying I'm a part of the group."



The group is believed to have been formed because of fears the newly-formed NLP will tear apart both Opposition parties.

Expelled PLP dissident Mr. Calvin Smith said the group's organisers had talked to him, but he insisted he was not involved.

"People have asked my opinion about it, but I'm not behind it. I think it's very sensible and I'm happy to think somebody out there has got some sense, and I hope they don't give up."

"I would certainly be happy to offer my assistance if they want it."

He said the group wanted to remain unidentified and would probably be upset by the publicity.

NLP spokesman Mrs. Kathleen Bell said: "The National Liberal Party is not going to form a coalition, alliance, call it what you may, with any other political party in order to win seats in the next General Election."

She said a document, which was not addressed,

signed or attributed to any group of people, was simply left at the home of party chairman Mr. Clyde Bassett.

"The objective of this communication seems to be based on the continued polarisation of the races in Bermuda, and a call for political extremism."

"We will stand as one party in the next election. We will run our own candidates and the people will know exactly where we are coming from, and where we intend to go."

PLP public relations officer Sen. David Allen said: "The PLP was approached by a representative of that group who gave us a written document outlining their aims and objectives, and it's something that will be dealt with by the Central Committee."

The document was given to party chairman Mr. Alex Scott.

"We know some of the individuals involved and we know they have been concerned about the fragmentation of the Opposition forces in Bermuda."

### NLP Fund-Raising

Hamilton THE ROYAL GAZETTE in English 1 Oct 85 pp 1, 2

[Text]

The National Liberal Party yesterday launched a campaign to woo financial support from businessmen who have traditionally funded the United Bermuda Party.

Treasurer Mr. John Rankin said the fledgling party would be writing to local companies asking for cash and explaining an alternative political party was essential for democracy.

He promised all donations over \$500 a year would be listed in accounts publicly available, although the party would happily accept anonymous contributions.

The chartered accountant who has been picked as an NLP can-

didate for the marginal St. George's North constituency has already challenged other parties to reveal their figures.

Now letters are to be sent to all local businesses seeking contributions to help set up the new third party.

Mr. Rankin said: "If they want a democratic system in Bermuda people are going to have to contribute to it. If you contribute to just one political party democracy will not survive."

The party's three-pronged cash-raising approach is to ask for help from its own members, businessmen and the community gener-

ally.

The letter to businessmen will say the NLP supports legislation carefully spelling out regulations for fund-raising and party expenditure.

It adds: "We know that many businesses in Bermuda have traditionally supported only one particular political party."

"This monopolistic policy not only creates further division within Bermuda, it makes it extremely difficult for any other political party to survive."

"You would find it difficult to deny that our goals would benefit the majority of the population without devastating any particular

segment."

It then adds: "We believe that a political party should not be open to accusations of undue influence from any particular interest group."

"In order to ensure the NLP's political autonomy and integrity we will make our financial statements available for public perusal."

The letter adds amounts in excess of \$500 a year will be listed on a schedule attached to the party's financial statements which the NLP has already promised to make available to the public.

The NLP also announced former Progressive Labour Party branch official Mrs. Rose Evans is to stand as an election candidate in Sandys South, a PLP stronghold.

Mrs. Evans, a fault control clerk for Cable and Wireless, said she resigned from the PLP last year shortly after MP Mr. Lionel Simmons was expelled.

She said she later rejoined the party to help organise a special

meeting to try to breach differences, but quit again when it failed to resolve the problems.

She added she would be campaigning for women's rights, affordable housing for families and increased recreational facilities in the constituency.

"It's depressing to see that at the moment the only recreational facilities provided are sidewalks and walls where people can meet. Something should be done."

"It is important that more support is given to all the clubs so they can develop more programmes for the youth," she said.

The NLP is also to hold its second public meeting at Marsden Memorial Methodist Church in Smith's Parian on Thursday when speakers will be Parliamentary Group leader Mr. Gilbert Darrell and newly selected candidate for Smith's Mr. Graeme Outerbridge.

■ Mr. Collington Perinchief, UBP branch chairman in the marginal Sandys North constituency, said lawyer Mr. Ed Bailey and funeral director Mr. Colin Pearman had been formally adopted as election candidates.

#### Swan Election Announcement

Hamilton THE ROYAL GAZETTE in English 10 Oct 85 p 1

#### [Text]

Premier the Hon. John Swan yesterday promised to improve school education and continue economic policies if the United Bermuda Party wins the next General Election.

His pledge came after he formally fired the starting gun for a three week election campaign and announced Bermuda would go to the polls on Tuesday, October 29.

The election is likely to delay the opening of Parliament, which was scheduled for Friday November 1, for at least two weeks, to allow the winner to pick a Cabinet and choose Senators.

Mr. Swan stressed he was not trying to capitalise on a split in Opposition forces

and ruled out independence as an election issue.

"I will under no circumstances take this Country to Independence without the majority consent of the people of this Country. I can't think of any other way of obtaining that without a referendum."

He added: "I will campaign on the programmes started in 1983, as we have showed what we are able to do. We have to work hard to justify people's support."

He said the Government had promised to tackle 96 programmes, and had now completed 72 of them, and started another 14, leaving only ten to get off the ground.

He stressed one of the major planks of the election campaign would be improvements to schools.

"I believe the quality of our education system has been good, but we should ensure that over this next period we look at all aspects to improve the educational facilities for our children."

He said more computer technology could be taken into the classrooms, recreation and leisure time facilities developed, and a close look taken at the academic

balance to give youngsters the chance to take advantage of future opportunities.

At a special press conference broadcast live on local radio stations he said Acting Governor Mr. Mark Herdman had agreed to dissolve Parliament and Monday had been earmarked as nomination day.

The announcement came after a special meeting of the UBP Caucus, attended by newly-selected candidates, was told the date of his election plans.

He told the press conference: "Much has happened in Bermuda since the last election in 1983.

"At that time the United Bermuda Party pledged they would take a new direction and an aggressive new programme to address the most pressing problems of our Country.

"The challenge was clear. Restore our economy, revitalise our tourism industry, relieve the housing shortage, crack down on crime and drugs, and improve our public education system.

"The results of our programme were equally clear. The economy is rebounding, there is an up-turn in our tourist industry, we are building more affordable housing, crime is on a dramatic downward trend, and we have been moving very

rapidly to improve the quality of education in our system."

But he said the formation of the National Liberal Party had created a fundamental change in Bermuda and there were now three competing philosophies being offered to the voters.

He said an election was being called to allow the voters a chance to reaffirm their backing for UBP policies of sound management and compassionate leadership.

It would also give a chance to work on long term solutions to problems facing the Island.

He denied it was a snap election aimed at taking advantage of a split in Opposition ranks caused by the formation of the NLP.

"It's obvious to every member of the public that the Opposition have had their difficulties, but from what I can gather, the difficulty has been set aside by the formation of another party.

"I don't think the word disarray really applies as it might have done some months ago. I just hope the record of the UBP is such that votes will not be taken away from the UBP."

Hamilton THE ROYAL GAZETTE in English 22 Oct 85 pp 1, 3

[Text] The Premier should not have called a General Election, said nearly half the voters questioned in a *Royal Gazette* poll at the weekend.

But a similar number also endorsed Mr. Swan as the best person to lead the Country and more than a quarter said there was room for a third party.

Nearly half — 45.2 percent — of the 168 people polled in the marginal Pembroke East Central and Hamilton East constituencies said "no" to the question: "Do you think the General Election should have been called now?"

Only 15.48 percent approved of the decision to call the election.

But a significant quarter or more of voters refused to answer the three questions, as well as two others concerning candidates.

Adding in "don't know" sent the negative side of the poll as high as 46 percent.

This effectively made nonsense of the positive answers given to two questions — "If a General Election was held today, how would you vote?" and "How did you vote in the last General Election?" — by making the margin of error unreasonably large.

*The Royal Gazette*, therefore is not revealing the levels of support polled for the three parties in the constituencies.

But the figures are so overwhelmingly one-sided on the three other questions, that this newspaper has decided to publish those sections of the poll.

Fractionally more than 38 percent of voters polled thought there was no room for a third party. National Liberal Party leader Mr. Gilbert Darrell should be

"cheered by the 27.4 percent who think there is.

But yesterday he commented: "There has been so much polling taking place lately, people are fed up with it. The significant figure is the number of people refusing to respond."

He may not be so happy with an 8.3 percent vote as preference to become the next Premier.

Mr. Swan came top with 48.2 percent. Progressive Labour Party head Mrs. Lois Browne-Evans pulled in just two supporters — 1.2 percent of the vote.

PLP spokesman Sen. David Allen said: "I think it is significant that 40 percent-plus had no response. You also tend to be missing the people who don't have phones.

"*The Royal Gazette* is also seen as an establishment newspaper.

"Here you find your UBP supporter quite freely giving you information, while PLP supporters traditionally like to keep their views close to their chest."

Mr. Mike Winfield, campaign manager for the United Bermuda Party said politics in Bermuda were a private affair and individuals were reluctant to release information.

"I'm sure the fact the polls were conducted by a representative of the media made people more reluctant to discuss their preferences," he said.

Hamilton THE ROYAL GAZETTE in English 30 Oct 85 p 8

[Text]

The result of the 1985 election puts the UBP in its best ever position in the House of Assembly — 31 seats compared to seven for the PLP and two for the NLP.

It is the greatest ever majority enjoyed by the UBP, an increase of one over the 30 seats the party won in 1968 when party politics were introduced.

The UBP's increase in new seats is matched by an increase in the popular vote which totalled 62 percent of the votes cast. In 1983 the UBP's share of the popular vote was 56.6 percent to the PLP's 43.4 percent. The PLP this time dropped to 31 percent.

The NLP, waging its first campaign as a political party, took 7 percent of the popular vote. The only Independent candidate, Mr. Albani Asalaam, won just five votes.

While the UBP took 62 percent of the popular vote, it increased the balance of power in the House of Assembly by an even larger amount. The UBP's 31 seats now represents 77.5 percent of House strength, compared to 65 percent won in 1983.

And while the PLP took 31 percent of the popular vote, that is not reflected in the House where it has just 17.5 percent of House strength. The numbers are better balanced for the NLP which won seven percent of the popular vote and has five percent representation in the House.

The voter turnout was, as expected, substantially lower than recent elections, with just 19,427 or 69.7 percent of the 27,880 registered voters (not counting Southampton West where two UBP incumbents went unchallenged) going to the polls. The inclement weather predicted the night before the election never materialised despite an overcast day.

The lower turnout reflected disenchantment with the strife-torn PLP and some protest voting. Traditionally a low vote benefits the UBP.

In 1983 a total of 80.6 percent of registered voters cast their ballots, compared to 79.4 percent in 1980. Voter turnout was heaviest in 1968 when there was a record 91.2 percent voter turnout.

A total of 35,925 votes were cast in this election. The UBP received 22,368 votes, the PLP 11,066, the NLP 2,486 and the Independent just five.

A total of five candidates will lose their \$250 deposits for failing to win eight percent of the votes cast in their constituency. They are: Mr. Assalaam with 0.3 percent; NLP Mr. John Rankin with 6.3 percent; PLP Mrs. Aurelia Burch with 4 percent; NLP Mrs. Rose Evans with 3.3 percent; and PLP Mr. Sam Maybury with 7.8 percent.

Three candidates held on to their deposits by a tiny margin. They are: PLP Mr. Archibald Brangman with 8.5 percent; PLP Mr. Roosevelt Hall with 9 percent; and PLP Mr. George Byron with 9.7 percent.

The UBP's increase in the House came at the expense of both the PLP and NLP.

The PLP lost three seats to the UBP — two in Pembroke East Central where long-time Opposition MPs Dr. Barbara Ball and Mr. Stanley Morton lost to Mr. Robert Barritt and Mr. Lawson Mapp; and one in Sandys North where Miss Paula Cox had taken over from her father, Mr. Eugene Cox.

Both Sandys North UBP candidates Mr. Ed Bailey and Mr. Colin Pearman won in what had recently been a strong PLP marginal. They capitalised on the absence of Mr. Cox and the defection of former PLP MP Mr. Lionel Simmons, who campaigned under the NLP banner.

Miss Cox showed surprising strength, riding on her father's coat tails and finishing third, 23 votes ahead of Mr. Simmons.

The NLP lost two seats to the UBP: one in Warwick East where Mr. Walter Brangman lost to second place finisher the Hon. Gerald Simons by 51 votes; the other was in Sandys North.

It was an especially sweet victory for both Mr. Simons and his running mate the Hon. Irving Pearman. For Mr. Simons it was a personal victory after a humiliating defeat in the UBP Pembroke West by-election when he lost to dentist Dr. David Dyer.



Mr. Pearman led the polls from the start, scoring 141 votes more than Mr. Simons. Many will see his victory as a vote of confidence in the way he is handling Bermuda's all important tourism industry as Premier Swan's Minister of Tourism.

The UBP victory in Warwick West was equally important. Both the Hon. Quinton Edness and the Hon. Sir John Sharpe scored a smashing victory in a constituency that only two years ago was a marginal.

Mr. Edness had been banished from the House in 1980 when he lost to the PLP's Mr. Eugene Blakeney by just seven votes. Many felt his political career was over, but he stormed back in 1983, taking 26.8 percent of the poll. He increased that yesterday to 32.4 percent. Sir John was marginally behind with 31.8 percent.

Unlike the 1980 election when the PLP won 18 to the UBP's 22 seats, split tickets in the marginal constituencies did not prove to be a factor. The only constituencies that were split this time were Pembroke East where the NLP and PLP each won a seat. Hamilton East was also split with NLP Leader Mr. Gilbert Darrell being returned to the House as was UBP incumbent the Hon. Haskins Davis.

Mr. Darrell took 26.8 percent of the vote, almost the same as in 1983 when he won 26.1 percent. Mr. Davis gained ground, increasing his share from 25.6 percent to 30.5 percent of the votes cast.

The only other NLP candidate to be returned to the House was former PLP MP Mr. Austin Thomas. He squeaked in by 17 votes over PLP candidate Mr. Roosevelt Brown.

Despite his victory, Mr. Thomas' share of the poll dropped from 35 percent to 21.4 percent while the other Pembroke East candidate elected, incumbent PLP Mr. Ottiwell Simmons, increased his share from 35 percent to 37.5 percent.

## Swan's Victory Address

Hamilton THE ROYAL GAZETTE in English 31 Oct 85 pp 1, 3

[Text]

Premier the Hon. John Swan yesterday promised his massive House of Assembly majority would not lead to an arrogant and unresponsive Government.

The ruling United Bermuda Party swept in to a landslide victory in Tuesday's general election and notched up 31-seat Parliamentary majority as it crushed Opposition parties.

But the Premier insisted he would be on his guard to ensure the UBP's strongest majority since the advent of party politics in 1968 did not prevent alternative views being heard.

He said: "People fail to realise that we started the process of participatory democracy in a meaningful way.

"What we did was open up the channels of opportunity for the Bermuda public at large, to participate in the decision-making process, encouraged them to make their feelings known, to express them, and to expect Government to be receptive to those feelings.

"We moved from a point of protest to a point of participation.

"What we will continue to see is greater public participation in the whole Governmental process and organised political pressure groups become more of an anachronism to the system."

He dubbed the Progressive Labour Party and the National Liberal Party as little more than political pressure groups and included organisations such as the Nuclear Awareness Group and the anti-apartheid coalition.

He "added" democracy needed a sound adversary to Government to present a second opinion on issues.

"The elected members and the various organisations that make up the Governmental party political process keep lines of communication open with the various constituents in our society.

"I have a commitment to keep them open and I will be monitoring our whole system to ensure that it remains responsive.

"We seek to discover the broad consensus of opinion and we act on that consensus."

He said there was no danger the size of Government's majority would prevent public discussion of issues and insisted a broader section of the community would have greater communication with Government.

"I believe the democratic system is not designed for protest — it is designed for participation."

He said it was too soon for Government to start drawing up plans for the next session of the House of Assembly, and ruled out Independence as a priority in the wake of the election.

"At the moment Independence is not a priority. At this point there are no plans whatsoever for a referendum, although the decision on Independence will reside with the majority of voters in a referendum."

He added: "Bermudians have just taken part in one of the most meaningful and significant exercises that a democracy can offer — the chance to vote for and to select representatives to govern the Island.

"I am both pleased and humbled at the resounding mandate the electorate has given me and my colleagues, and I pledge the best efforts of myself and my administration to serve Bermuda and the diverse interests of all Bermudians.

"Bermudians have inherited a proud and resourceful heritage, and they can take justifiable pride in what they have accomplished — an enviable standard of living, a harmonious society and a stable economy.

"We have made inroads in solving or alleviating many of our most pressing social and economic issues.

"But we do not content ourselves with that, for we realise that though much has been done, more remains to be done.

"And I am confident that, with the new team you have elected, we have the vision, the ability, the courage and the depth of commitment to translate our ideas into realities so that every Bermudian has the opportunity to achieve to the limit of his potential.

"We must, all of us as Bermudians, work together — not out of self-interest, but in the interests of every Bermudian so that we can secure a safe, happy and prosperous future for all Bermudians."

## NLP Parliamentary Plans

Hamilton THE ROYAL GAZETTE in English 31 Oct 85 p 3

[Text]

The prospect of opposing 31 United Bermuda Party MPs with only two voices in the next Parliament does not seem to faze National Liberal Party Leader Mr. Gilbert Darrell.

Yesterday, Mr. Darrell said his team mate Mr. Austin Thomas would be very active in promoting the Party's viewpoint in the House of Assembly. But he cautioned that their energy would have to be channelled for maximum impact.

"The Party will be visible in Parliament," he said. "We'll be very active, but we won't talk on everything."

On election night, Mr. Thomas addressed that very issue when he said the NLP would not scatter its opposition voice on everything Government proposes — a practice he faulted the Progressive Labour Party with.

Mr. Darrell yesterday said the Party's Parliamentary wing would not be alone in working to stake out the NLP viewpoint.

"We'll need back-up help and will have to mobilise our candidates from the election," he said, adding that they would be drafted to assist with research on issues.

The candidates will also be asked to help the Party determine where it stands with voters. In an executive meeting scheduled for today, they will be asked to provide assessments of NLP strength in the constituencies they contested.

Party officials are tantalised by the number of plumped votes some of their candidates received, particularly Mr. Graeme Outerbridge in the UBP stronghold of Smith's South and Mr. Darrell in Hamilton East. Both men received more than 200 such votes.

The question to determine is whether those votes were genuine Liberal votes or merely expressions of the personal popularity of each candidate.

"Half of our votes were plumped," Mr. Darrell said. "At least that is a strong indication of Liberal support."

In the next few weeks, the Party will try to organise itself with a view to de-

veloping its organisation and identity.

Mr. Darrell said a party membership meeting would soon be held to reflect an increase in membership to over 200 from the 25 or so people who were at the party's creation in mid-August.

Mr. Darrell described the party officers appointed at that time as temporary, although he suggested last night that they would probably be made permanent at the membership meeting.

In addition, the Party will give consideration to establishing a headquarters.

Beyond these initial plans, there is the suggestion that the NLP will be winging things for a while.

Mr. Darrell inferred that future plans are more general than specific. As for Parliamentary strategy, he said: "Mr. Thomas and I have been talking. There are only two of us. We'll just have to play it by ear."

He is more definite on the political position the Party's strategy will try to stake out — the political centre.

"We are strongly of the view that the Island has a tendency to develop extremes, with labour on one side and capitalists on the other. We believe that right in the middle there are a lot of people being ignored. And that's who we intend to appeal to."

## Threat of Labor Unrest

Hamilton THE ROYAL GAZETTE in English 1 Nov 85 p 2

[Text]

The PLP warned yesterday the United Bermuda Party's massive Parliamentary majority could lead to more labour disputes.

It fears frustrations could spill over into strikes and walk-outs as the shrunken Opposition forces in the House of Assembly will be unable to have much impact on Government policies.

Premier the Hon. John Swan has already promised special efforts to ensure his 31-seat strength in the 40-seat House of Assembly does not lead to an arrogant and unresponsive Government.

But there are concerns the UBPs largest Parliamentary majority since the advent of party politics in 1968 will lead to a polarisation of the community.

Progressive Labour Party public relations officer Sen. David Allen said: "It is a legitimate fear that there will be frustrations in part of the community that the Parliamentary system will be unable to enact the changes they want.

"These frustrations will find their way out in other ways — it could be through industrial disputes; or other ways not in the best interests of Bermuda's fragile economy.

"History has shown this to be the case."

He insisted there were increasing numbers of labour disputes between 1968 and 1976 when the UBP held a 30-seat majority in the House of Assembly.

"It is very dangerous for Government to say it has a blank cheque to keep on going with its present policies. People are less than pleased with some of the directions they are taking.

"There are a lot of danger signals there. We are going to have to work even harder

as an Opposition to make sure these frustrations do receive a venting through our Parliamentary presence."

He said the UBP had won support from only about 40 percent of people eligible to vote as the election recorded the lowest voter turn out in more than 17 years.

More than 10,000 of the 30,000-strong electorate boycotted the polling booths, at least 2,000 potential voters had failed to register and almost 8,000 people voted against the UBP.

"Only about 12,000 of the 30,000 electorate actually voted for the UBP. Obviously the Premier does not have the support of the majority of the electorate."

Some businessmen privately believe roughly 40 percent of the electorate will now feel it has no proper Parliamentary representation and no outlet for anti-Government views.

Even some UBP politicians privately fear their large majority could spark labour disputes as disgruntled workers would feel their views were not being listened to in Parliament.

But Bermuda Public Services Association Secretary General Mr. Eugene Blakeney was not convinced there would be an increase in labour disputes.

"I don't think anything like that would happen unless there is legislation that is repressive. Industrial disputes may culminate in a strike but that is always an option available."

## INDUSTRIAL UNION'S ORGAN DISCUSSES POLITICS OF RACE

Hamilton THE WORKERS VOICE in English 11 Oct 85 pp 2, 7

[Article by Calvin Smith]

[Text]

**B**ERMUDA'S POLITICAL history has been a continuous struggle between the black population trying to acquire power and the white establishment trying to retain it. It would seem that the next Election will finally see that struggle resolved since John Swan will most likely not only win with a big majority, but with a BLACK MAJORITY of United Bermuda Party members as well. This article takes a look at what this victory will mean for Bermuda by reviewing the stances of the UBP and the opposition parties. It concludes that the emergence of a black majority within the UBP will do no more than usher in an oppressive class society.

At present in Bermuda, there are three active political parties: the United Bermuda Party, the Progressive Labour Party and the National Liberal Party. The UBP has enjoyed continuous control of the Government since its inception in the mid-sixties. They are regarded as the party of big business, white-collar workers, the relatively well-off, and the white minority.

Although a conservative party and therefore supportive of gradual change, in order to retain control of Government, the UBP has made 180-degree turns when it has been necessary to placate black ambition.

But even though the UBP has virtually handed over party and Government management to its black wing, it has so far remained intensely protective of the status quo in terms of the economic organisation and management of Bermuda. This has been reflected in legislation that is anti-union, pro-big business, and anti-social welfare!

The Progressive Labour Party is Bermuda's first political party. It has its roots in the battle to end racism in Bermuda. It has fought its most successful battles in broadening the franchise, the improvement of job opportunities for blacks, and the improvement of housing for working-class blacks. In achieving these goals, the PLP can take credit for creating political awareness among an otherwise naive population.

## FAILED TO CAPITALISE . . .

However, the PLP has failed to capitalise on its successes and to move its policy proposals out of purely black-based social issues and into mainstream issues of economic management.

The National Liberal Party is the newest of the three political parties. It has emerged out of the dissatisfaction among supporters of the PLP at the party's seeming inability to deal with the broad issues of economic management and control of the resources. This group differs from the PLP more in terms of the target of its policy rather than its content. It is concerned with wider participation in the management of our economic resources; and a wider sharing of the economic pie for those able to compete for a share. It believes fiercely that Bermudians should be masters in their own house if they are qualified and capable. Unlike the PLP, they make it clear that they seek to build a party capable of winning the Government and effectively administering it.



If this assessment of Bermuda's political parties is correct, then Bermuda's political history has seen a continuous struggle to appease Bermuda's black majority. This struggle will climax in the next Election at which time John Swan's UBP should secure an overwhelming majority which will result in a majority black UBP Government!

It is interesting to speculate on the direction a black-controlled UBP will take the country. Some probabilities are listed below:

- \* There will be a strong move towards increased law and order. A black Government will be able and likely to clamp down on crime with much less criticism than otherwise be the case.

#### **NO SYMPATHY TOWARDS LABOUR**

- \* There will be a heavy-handed approach towards trade unions. None of the men being promoted by the UBP have a history of being sympathetic to the labour movement. In fact, at least two – the Ministers of Finance and Tourism – have a record of being hard-nosed in negotiations.

- \* There will be an acceleration of the economy beyond the rate consistent with orderly growth and political stability. This will happen because the new regime (like their predecessors) can be expected to use the power of Government to stimulate investment in projects in which they have an economic stake.

- \* There will be an increase in immigration. This will follow from the need to speed up the growth of the economy. Immigration is likely to continue to be predominantly white, although its major source may shift from Europe to North America.

- \* Housing shortages for large low income Bermudian households will worsen. This will be a natural result given the dependence of the black UBP upon the business and landlord classes

- \* The new black Government will usher in a class-based society which will see a coalition of wealthy business and political leaders of both races forming the upper class and dominating the rest of the population.

The good news is that Bermudians, generally, will at last come to realise that politics is purely and simply a quest for power by people with like interests. All will learn that race, religion, money, nationality and all the other rallying cries are merely tools of those who would seek to control us for their own selfish ends.

Such being the case, it may be that after this Election, and the ascension to power of the blacks within the UBP, the UBP's intensely loyal white population will join hands with the rest of us on the basis of the common interest rather than race. If this occurs, we may yet escape the oppressive dictatorships which all too often is the fate of countries in which citizens support political parties blindly.

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CSO: 3298/175



PARTIES REFUSE TO OPEN BOOKS TO PUBLIC SCRUTINY

Hamilton THE ROYAL GAZETTE in English 2 Oct 85 p 5

[Text]

The United Bermuda Party and the Progressive Labour Party yesterday rejected calls to open their accounts to public inspection and insisted their finances were their own private business.

They had been challenged to publicly reveal their annual figures by Mr. John Rankin, treasurer of the newly-formed National Liberal Party.

The NLP has already promised to make its own accounts available to the public and to list all donations over \$500, although it will still accept anonymous cash gifts.

But UBP Executive officer Mr. Ed Williams said: "Basically the party does not feel there is any merit in the suggestion. We will continue to respect the privacy of people who donate money."

He said the NLP had challenged other parties to divulge their accounts yet they were still proposing to list certain donations as anonymous.

PLP Public Relations Officer Sen. David Allen said the Opposition party was unlikely to introduce public inspection of its accounts.

"One of the dangers in Bermuda of such a policy is that people could feel intimidated and inhibited from donating to political parties, particularly non-establishment parties, if their names are to be published."

He said the suggestion was an attempt to identify and prevent influence peddling, but the NLP had created its own loophole by agreeing to accept anonymous donations.

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CSO: 3298/175

## JOB FAVORITISM FOR FOREIGNERS HIT--'MUST BE STOPPED'

Hamilton THE WORKERS VOICE in English 25 Oct 85 p 2

[Editorial]

Gertrude Stein, the writer, is said to have coined the phrase: "A rose is a rose is a rose". And, in Bermuda today, even in the year 1985, we may well say: "Prejudice is prejudice is prejudice."

Because, almost daily, we hear of cases of Bermudians being discouraged from applying for jobs in all areas, while foreigners are being brought out to fill those jobs. And often, the very Bermudian who was denied the job, is expected to show the foreigner how to do it!

While there are born, white Bermudians who are being discriminated against and passed over in favour of foreigners, the sheer numbers of black Bermudians in the work force tends to emphasise the "colour" of the discrimination.

This problem is getting worse, in spite of years of effort by BIU members and officers. And one of the most shameful aspects of the problem is that it is often Bermudians who are discriminating against their fellow Bermudians.

For years, foreigners who have come out here have continuously repeated that "Bermudians are lazy. They don't want to work", etc., etc. And, unfortunately, like any oft-repeated statement, this one has come to be accepted as the truth.

In fact, the average Bermudian worker is capable of working much harder and longer for much less, than is any foreigner, imported into our country under a contract which promises all kinds of perks, not enjoyed by the local worker.

How many of us know of Bermudian men and women who are working at two jobs, trying to keep up with the increasing costs of living in this high-priced tourist haven?

How many of us ARE those workers, and are putting a great strain on our health and wellbeing, by working at two jobs — day and night?

Yet it seems, however hard Bermudians may work, they not only get less for their labour, but they are often actively DISCOURAGED from showing ambition and a desire for upward mobility.

This state of affairs is intolerable and cannot be allowed to continue. We, the people of Bermuda, cannot continue to allow ourselves to be relegated to the lower rungs of the labour scale.

Bermudians ARE qualified. Bermudians ARE experienced and, whenever vacancies may occur, be they in Government or in the private sector, Bermudians MUST be first in line for the jobs — and must get them!

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CSO: 3298/175

# ANTI-DRUG ACTIONS SUBJECT OF POLITICAL CONTENTION

## Drug Agency Inaction

Hamilton THE ROYAL GAZETTE in English 9 Oct 85 p 5

[Text]

The Progressive Labour Party yesterday complained the newly-appointed National Alcohol and Drug Agency had failed to explain how it would tackle growing abuse problems.

Party Public Relations Officer Sen. David Allen said there had not been a proper explanation to questions posed by Shadow Minister of Health and Social Services Mr. Stanley Lowe.

"NADA's response was disturbingly vague and did not indicate a clear direction on this vital issue.

"If NADA is incapable of outlining for the public what it plans to do, then the UBP Government must itself respond on the nuts and bolts of its purported programme.

"The Minister of Health and Social Services the Hon.

Mrs. Ann Cartwright DeCouto and her Cabinet colleagues cannot foist all responsibility on NADA, especially since many suspect this is merely a delaying device in place of real meaningful action."

Mr. Lowe had called for the specific intentions and responsibilities of the body to be spelt out and complained it was merely another glorified committee.

But NADA chairman Mr. Victor Garcia dismissed the complaint and said the agency's role was spelt out in detail in the final report of the Royal Commission into alcohol and drug abuse.

Sen. Allen said: "Government campaigned on a platform of dealing with the drugs and crime menace in

the last general election, yet Bermuda now appears to be on the eve of another election without the UBP Government having delivered much more than words rather than solid action.

"Government has a responsibility to inform the electorate during any election campaign what its actual plans are to control the drugs menace and educate Bermudians on the threat posed."

## Absence of Drug Statistics

Hamilton THE ROYAL GAZETTE in English 23 Oct 85 p 2

[Text]

Progressive Labour Party official Sen. David Allen last night accused Police Commissioner Mr. Frederick Bean of withholding important statistics showing an increase in drug offences.

He said Police refused to release figures showing drug offences had risen in the first six months of this year from 118 in 1984 to 167.

"The PLP believes it is not the place of the Police, or indeed any Minister, to withhold such information vital to the public well-being.

"The Police, like civil servants, are paid by the taxpayer to be public servants and are not supposed to serve party political aims of the incumbent party, all the more so during a General Election period.

"The public are left to wonder why the authorities are so reluctant to give out this particular item of information.

"There is a growing pattern of manipulation and distortion of vital statistics by Government, not only on the true level of drug crimes in the community, but information relating to AIDS victims, tourism statistics and other data.

"While the true facts may be embarrassing to the UBP Government, and contradict their good news propaganda, the public have the right to hear them."

He said he had sought statistics from Police officials, including the number of drug-related offences committed during the first six months of the year. He had also asked for information going back to 1983.

Sen. Allen said: "While statistics for every other crime category were given, right up to the first six months of this year, the single statistic for drug cases dealt with by the Police was withheld.

"The 1984 Report with breakdown on even earlier figures was not available either.

"If Parliament had been in session, the PLP would have had the right to lay down formal questions to the Minister of Labour and Home Affairs, Sir John Sharpe.

Police Commissioner Mr. Frederick Bean said: "The request of Sen. Allen required considerable research and because of the time it would involve, and my concern about the Police becoming unnecessarily involved in political matters I was not prepared to accede to his request.

"Information regarding crime, and drug statistics is contained in the annual Police Reports and are also reported in the printed media."

A Police spokesman provided *The Royal Gazette* with figures showing drug offences rose during the first six months of the year.

Figures for the first three months were also slightly up on 1984's figure of 47 crimes to 52 crimes.

Sen. Allen added: "We are delighted to have flushed out those figures. It is unfortunate we have to put out a public statement before they reluctantly agree to release these figures."

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CSO: 3298/175

## BRIEFS

**TEACHERS WAGE PACT**--Teachers yesterday narrowly approved a two-year contract providing a median wage increase of 5.6 percent in the first year and 4.2 percent in the second year. The contract, hammered out this weekend between government and the Amalgamated Bermuda Union of Teachers, barely got the mandatory two-thirds support for ratification. Union organisers reported just over 100 of the membership's 600 teachers voted on the contract. Union representative Mr Ray Latter admitted the turnout was disappointing but said: "We think under the circumstances that it is a reasonable agreement." Mr Ray Latter explained that first-year pay increases varied among different teacher classifications. For example, the lowest ranked teachers--aids and student teachers--won a 6.1 percent pay increase while top-ranked teachers won a 5.15 percent hike. The two-year contract also resulted in improved work conditions. One change requires government hiring of additional art and music specialists. Also, teachers with Masters degrees will be recategorised and in September, 1986, every teacher will be guaranteed four free lunch hours a week. The contract acceptance brought to an end extended negotiation that began last April. The teachers' contract expired on September 1 and yesterday's settlement was pressured by half-day strikes at six schools last week. [Text] [Hamilton THE ROYAL GAZETTE in English 29 Oct 85 p 2] /8309

**CIVIL SERVANTS WAGE PACT**--Bermuda's civil service has ratified its union's acceptance of a government pay offer, endorsing a deal that promises rises of almost 10 percent over the next two years. Bermuda Public Services Association president Mr Eugene Blakeney said last night that a membership meeting yesterday unanimously approved the agreement that will give 1,200 civil-servants increases of 5.5 percent in the first year and 4.2 percent in the second, along with improvements in sickness and holiday benefits. He said the Island's 681 hospital workers are to vote on the same offer this week. King Edward VII Memorial staff meet tomorrow and St. Brendan's Hospital workers on Thursday. Said Mr Blakeney: "We are certainly recommending the offer and we expect the hospital workers will approve it." [Text] [Hamilton THE ROYAL GAZETTE in English 29 Oct 85 p 2] /8309

CSO: 3298/177

MEDEIROS PRAISES SARNEY, PIRES IN PRESS STATEMENT

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 16 Oct 85 p 2

[Text] Manaus--The former minister-chief of the SNI [National Intelligence Service], Gen Octavio Medeiros, who had been expected to show strong opposition to President Jose Sarney, said yesterday that he had no reason to criticize the new administration. "Everything is fine. I have no criticism," said Medeiros in his only statements to the press since leaving Planalto Palace 7 months ago.

Contradicting his former aides, with whom he stays in contact, he claims that he has no complaints and that he is not bitter at having been removed from the decisionmaking center. He also says that he is "extremely satisfied" as military commander of Amazonia and that for that very reason, he is not nostalgic for the days when he was one of the most influential men in the country. He said: "It was a good period, and it is over. I led a life of trepidation [as published; possibly excitement intended], with the most varied problems. Since I like the hectic life, it was all very gratifying to me."

He does not go as far as his former chief, General Figueiredo, who has asked to be ignored, but he insists that he does not intend to comment on the past--chiefly such episodes as the Riocentro and Baumgarten incidents--or to set himself up as an observer of the Sarney administration.

It seems evident that at the moment, the former head of the SNI is bent upon establishing his new image as military commander of Amazonia, a jurisdiction that covers 42 percent of the national territory. And it is in that position, which makes him directly subordinate to the Army General Staff, that the general praises Minister Leonidas Pires, "my friend, who is doing an excellent job." Even in relation to the Uequed Amendment, which would grant amnesty to and reinstate all military who lost their positions and rights through institutional acts, Octavio Medeiros feels, if only for administrative reasons, that the government's approach--to negotiate a less inclusive bill--"is the correct one." Especially, he said, because the way the amendment stands, its implementation is technically impossible.

In his roomy office--decorated with the official photographs of Sarney and Minister Leonidas Pires--at the Amazonia Military Command, Medeiros referred



to the president's visit to the Solimoes Frontier Battalion in Tabatinga and the Third Special Frontier Platoon in Vila Bitencourt last weekend as "extremely gratifying." During his first 7 months in his new job, and after completing 120 flying hours over the 3.6 million square kilometers under his jurisdiction, he has reached the conclusion that "the man on the frontier is extremely needy." And he is trying to convey the idea that reducing that state of need and cooperating in the region's development are his only concerns at the moment. "Because of that, the president's presence was gratifying," Gen Octavio Medeiros explained.

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CSO: 3341/12

# SARNEY'S APPROACH TO MINISTERIAL CHANGES IN 1986 DISCUSSED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 23 Oct 85 p 3

[Article by C. C.]

[Text] Brasilia--A few days ago, President Jose Sarney made a comment to Minister of Administration Aluisio Alves that might provide the key to solving the problem of forming his new cabinet. He said he had neither the intention nor the means of preventing any of his ministers from resigning when the time came for them to choose between remaining in the government and running for another office. But he added unpretentiously, like someone mentioning that it was starting to rain or that it was time for a coffee break: "That is, if campaigning for an office is considered indispensable to the political future of the minister."

In politics, reasoning is usually indirect even if necessary, and that is one example. In fact, the president was making it clear that he would examine each case on its own merits and be prepared to discuss with at least some of his assistants the desirability of their giving up their candidacies for the constituent assembly, for state governor, or for a seat in Congress in an effort to keep them in the cabinet. Such things do not happen mathematically, by the clock, and in linear fashion--in other words, it is not to be expected that at a particular moment at the start of next year, Sarney is going to begin rounds of formal talks with his ministers to decide who will stay and who will go. It will be in the course of informal talks, socially or after conducting official business, that he will put the question, feel out his interlocutor, and make his assessment, and that without giving the impression that he is doing so.

Specifically, at least 12 of the 27 current ministers seem inclined to run for elective office next year. That is the minimum, because many observers feel that there are 16 or 17 of them.

In ordinary circumstances, this would be an excellent opportunity for Sarney to form his own cabinet without trauma or conflict. He could bring together people with the common denominator of having been chosen by him personally and of sharing his viewpoint, since the current cabinet was put together by Tancredo Neves. We say "in ordinary circumstances" because out of the current

group, some would have been chosen by him unhesitatingly for the posts they occupy. They are precisely the ones who may be the first to receive concealed or even open appeals to stay on, either because of admiration for the work they are doing or for reasons of a political nature. It is possible, however, that even the president does not know their number or names, with the probable exception of Aluisio Alves, who has already heard a direct reference to the problem.

The reason is that if he were willing to accept the resignations of 12, 16, or 17 ministers, the president would also have to be prepared for some difficult reshuffling. After all, the cabinet may not be the one he would have formed, but it was formed and, after some friction and resentment, now reflects the vast range of groups, opinions, and party interests. It was not easy for Tancredo Neves, almost at the point of exhaustion and having to take conflicting personalities, groups, and concepts into account, to put together the team that now exists. Putting together another complete team may result in remedies worse than the disease, especially when it is considered that in view of the large number of those who would resign, the other ministers who are not politicians would find themselves constrained and compelled to tender their own resignations as well.

Furthermore, there is an additional factor for difficulties to which Sarney will be attentive. The so-called first team in national politics will be busy in its entirety with the 1986 elections. There is not a politician today, even in the lesser echelons, who does not imagine himself sitting in the plenary meeting of the constituent assembly or even in more important seats. This country is going to witness the most crowded election campaign in recent years.

Who will be left to take a cabinet post? It is obvious that among the nonministers, there are citizens willing to exchange the prospect of a 4-year term for a definite period in the cabinet, but reality ousts ambition: with rare exceptions, the first team will play on the "soccer field" of the federal legislative elections or in the privileged races for state governor.

For those reasons, the solution of consensus and half measures appears to be the most viable. Some ministers will hear enthusiastic words of encouragement when they inform the president of their decision to run for deputy, senator, or state governor. Others will hear well-considered statements concerning the importance to their careers of staying where they are. There will be no ultimatums and perhaps even no direct appeals, but the president's response will differ depending on the situation.

No one knows how Tancredo Neves would react if he were alive, but worth mentioning is a remark in confidence that he made just after being elected. As he was starting to form his cabinet, he remarked with feeling that the intense work of forming a cabinet through feelers, promises, changes, and decisions was threatening to turn into a crisis. He complained that he did not know whether he would have the strength to do it two more times. Two more times? Yes, because the first cabinet was to last until the ministers were forced to resign to run for other offices, while the second would last until

promulgation of the new constitution, and the third would have to reflect the makeup of forces emerging from the work of the constituent assembly. The president-elect considered that the constituent assembly would be the embryo of great changes of a doctrinal and ideological nature in the parties.

It may be that President Jose Sarney will wind up heading three cabinets, but it appears that at least the first and second of those cabinets will be integrated. He is being very reticent on that subject, saying only that he will do nothing without the parties--that is, the forces that support him. It happens that to a great extent, those forces will be handicapped by the fact that their leading figures will be busy getting themselves elected. That closes the circle and reinforces the idea that ministers who are former future candidates in the 1986 elections will stay on.

Unless we are mistaken, the following ministers intend to run in next year's elections: Fernando Lyra (Justice), Olavo Setubal (Foreign Affairs), Afonso Camargo (Transportation), Pedro Simon (Agriculture), Almir Pazzianotto (Labor), Carlos Sant'Anna (Health), Roberto Gusmao (Industry and Commerce), Aureliano Chaves (Mines and Energy), Waldir Pires (Welfare and Social Security), Renato Archer (Science and Technology), Paulo Lustoso (Debureaucratization), and Aluisio Alves (Administration). But the following may have the same intention: Antonio Carlos Magalhaes (Communications), Flavio Peixoto (Urban Development), Jose Hugo Castello Branco (Civilian Household), and Nelson Ribeiro (Agrarian Reform).

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CSO: 3342/12

# RIO MILITARY CLUB MANIFESTO OPPOSES INVOLVEMENT IN POLITICS

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 22 Oct 85 p 2

[Text] A group of military men in Rio de Janeiro issued a manifesto yesterday opposing the Military Club's involvement in party politics during the campaign to elect that institution's new chairman. The new chairman, who will succeed Gen Tasso Villar de Aquino--reelected last year with the support of the military ministers and Planalto Palace--will be chosen in May 1986.

General Tasso ran against Gen Antonio Carlos de Andrada Serpa and was supported by the publication LETRAS EM MARCHA, which circulates among the military and which called Tancredo Neves the "Brazilian Alfonsin."

In their manifesto, the military men recall that "the experience of the past few years has now clearly demonstrated that our club's dissociation from political turmoil has helped to maintain the atmosphere of calm that is so necessary in the difficult period being experienced by the nation." According to some military men, the manifesto against club involvement in party politics is aimed at two possible candidates: General Andrada Serpa or a representative of his and Gen Euclides de Oliveira Figueiredo Filho, who is also in the reserve.

Another goal expressed in the document is that of consulting the Military Club's members concerning the choice of a candidate "who fits in well with our association and, because of his qualities, deserves the confidence of the social group." Although some military men have mentioned the existence of two candidates, the manifesto asserts that "no name has been settled on," even though "several member officers on the active and reserve rosters have been considered as possibilities for chairman." It is also stated in the message that the signers, among them Gen Plinio Pitaluga of the reserve, "are not participating in any movement or organization for the purpose of controlling the future campaign for election of the Military Club's chairman" and that they "also are not candidates for the chief spots on the slate that will be organized." Their purpose is to collect "suggestions concerning names and social activities that can be transmitted to the future candidate."

The military men who signed the document say that their main objective is to keep "the Military Club from being involved in expressions of party political

feeling and controversial national and international affairs," but "without prejudice to the right, and even the duty, as provided in the bylaws, to evaluate and debate major national issues." The document says that "being free of party political passions," the Military Club has demonstrated that its action program "provides an atmosphere enabling it to act sovereignly and responsibly in the national situation of the moment."

The message states: "The future executive body, like those before it, must remain immune to onslaughts by those playing with wornout insinuations" aimed at harming the military.

11798

CSO: 3342/12



CARDOSO ON EXILE, POSSIBLE PRESIDENTIAL CANDIDACY

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 31 Oct 85 p 6

[Interview with Fernando H. Cardoso in Sao Paulo, date not given]

[Text] [Question] Where were you born?

[Answer] In Botafogo, Rio, on 19 de Fevereiro Street, near Sao Clemente, in 1931. But they have already said that I was born in Berlin, that is why I stay blond like this.

[Question] What did your father do?

[Answer] He was a military man and a lawyer. When he died, he was a retired general. He had practiced law extensively and had been a federal deputy. My grandfather was a professor and reached the rank of marshal. He had much influence at the time of the proclamation of the republic and was in the revolutions of 1922 and 1924. My family has always participated in politics since the empire. My great-grandfather was governor of Goias.

[Question] Is your family Catholic?

[Answer] Yes, I made my first communion and was one of the most fervent...

[Question] Do you still remember the seven cardinal sins?

[Answer] I have forgotten some, since I never practiced...but I was quite a fervent Catholic when I was in primary school and the beginning of secondary school. At that time, I was studying at the Perdizes secondary school and had a class in religion, and I was dedicated. It was a strong religiosity, that phase of carrying a holy image from house to house.

[Question] How were your first loves?

[Answer] I was always very precocious in that area. When I was in secondary school, I spent my time courting in little Pacaembu Square.

[Question] How was your first sexual experience?

[Answer] I do not recall. We forget all that. I was married when I was 21 and have a son of 31. We forget...

[Question] What do you remember of your childhood?

[Answer] I spent the greater part of my childhood in Rio but I came to Sao Paulo while I was still a child. I was quite happy. My father never spanked me or my brothers. Our relationship was very loving. My mother had more of a temper; she had a different temperament. She was born in Manaus of a family from Alagoas.

[Question] And how was your youth?

[Answer] I was already in Sao Paulo, living in Perdizes. It was a very fruitful period in which I expanded my intellectual horizons very much: at that time the Artists Club opened, the Second Brazilian Poetry Congress was held, the Chateaubriand Art Museum opened. It was a flood of cultural exposure.

[Question] Did your contact with politics begin early?

[Answer] Ever since I was a child. Dad related stories about the republic all the time: about his grandfather, about Floriano Peixoto, whom he knew. My father was a great storyteller, someone who enchanted my friends when I was young and there was a certain conflict there because he dominated the scene. Although he was a military man--and every military man has a feeling of patriotism that civilians do not understand--he was never one to cramp the opinions of others. I discussed anything with the old timers and I used to pin them to the wall.

[Question] What was your greatest discovery in your youth?

[Answer] It was literature. First French Literature, because dad had it in his library. First it was Balzac, "Madame Bovary," for example, on the quiet. Not that he censored it, it was just that it was more delicious on the quiet. Then I went on to Victor Hugo, Gide, the American authors who were beginning to be the vogue and the novels about the Brazilian Northeast: Jorge Amado, Jose Lins do Rego, Graciliano. That left quite an impression. I believe my concern about the social issue stemmed from there.

[Question] You discovered the contradictions of society by reading?

[Answer] More than reading--seeing, because you are born in the middle class, you open the window and see the slum. Poverty gets into people; it leaves people thick-skinned. For example, foreigners are more alarmed by our poverty than we ourselves. The concern about the social issue came through literature, then you begin to have a much greater concern about changing the world. At the end of your youth you begin to get into philosophy; I also liked painting very much.

[Question] Did you actually write stories, poetry?

[Answer] I actually wrote for a magazine called REVISTA DOS NOVICOS [Novice Review] that I published with Boris Fausto--who is a historian today, Decio

Pignatari, Haroldo de Campos, Augusto de Campos and Ataliba Nogueira. That was between 16 and 17, and we had a poetry exposition at the Artists Club.

[Question] What great doubt did you have at that time?

[Answer] The doubt we all have: existentialism, the meaning of life.

[Question] Do you drink or smoke?

[Answer] I drink very little; I have never smoked.

[Question] Have you never tried drugs? What do you think of marihuana? Have you ever seen it, taken it in your hand?

[Answer] I have never tried it. I have seen marihuana. I lived abroad and that is much more common there than here.

[Question] Did you engage in any sport?

[Answer] I played soccer, basketball in college; I rowed at the Tiete Club. I was not very good at any sport but I engaged in them. To this day, I like the sun; I like to swim. I was never the intellectual type who only stays in the library all the time. I read a lot but I was not taciturn. I was always irreverent; I like humor. I do not like it when the taunting touches my family; intruding in one's private life does not make sense.

[Question] How did you leave the country?

[Answer] It was in 1964 and I was a member of the University Council. I had historic loyalties: I was against the right. At that time, I was writing a thesis on the Argentine, Mexican, Chilean and Brazilian business communities which I had intended as a professorial chair competition entry. I had done research in those countries. The university itself asked for the cassation of many people, including me, and before that they had sought to arrest me and press charges against me.

[Question] How did you know they had sought to arrest you?

[Answer] They had wanted to arrest Bento Prado, who was a friend of mine, thinking it was me. I hid in Guaruja, trying to write the thesis. I arranged with Ferri, who was the interim rector replacing Gama, that I would request a leave of absence, but it was not granted. So I went to Buenos Aires, believing that it would be for a short time, but the case against me ended only in 1967 when there was a Military Tribunal habeas corpus. I came to Brazil only when my father died in 1966.

[Question] Where did you go from Buenos Aires?

[Answer] To Santiago and from there I was invited by the University of Paris to lecture; I accepted. Afterwards, I lived in the United States and England.

[Question] How was that life?

[Answer] Exile is always disagreeable because you cannot return; you were rejected by your own country. When I went to Chile, speaking with my children by telephone was terribly difficult. My father died and I had not even known that he was dying. So nobody can know what exile is, even in my case, in which I had no difficulty in speaking to my friends or in employment. On the contrary, I always earned more on the outside than here. I enjoyed prestige outside of Brazil, but even so it is very sad. And there are the other Brazilians who are not in the same situation.

[Question] Did you have contact with them?

[Answer] Yes, I did. We ate feijoada, sang the samba, drank caipirinha. And I imagined a Brazil that did not exist and a political process that likewise did not exist. In exile, you have an imaginary solution. You think of quick solutions that do not exist, that everything is going to change quickly. Obviously, on the family side, it is a fruitful experience, the relationship becomes closer and the children see the world, speak another language.

[Question] How was your decision to get into party life?

[Answer] I always had contact with politics but I was never a party man. It was Ulysses Guimaraes who sought me out. It was a time when I was lecturing. I used to go to Rio Grande do Sul and I talked to the intellectuals and criticized the regime.

[Question] In 1970?

[Answer] I believe it was in 1971, 1972. It was the time of the repressive regime. Later I became a candidate for the senate but before that, in 1972 or 1974, Ulysses sought me out; I reacted with surprise. They believed that the Brazilian Analysis and Planning Center (CEBRAP) might be an ideological agency, and it was not. It was a research agency and it was difficult to explain.

[Question] The Brazilian Democratic Movement (MDB) also?

[Answer] Yes, and the police also. The police believed that it was an ideological cell. It was not. We conducted independent analyses, disputing among ourselves. We did many intellectually important things in Brazil and Latin America. We talked to Ulysses, who was a very mature, very balanced man, and he understood. Then we prepared the MDB 1974 program--Chico de Oliveira, Paul Singer and I; even Quercia went there to discuss with Paul. We also prepared the 1976 and 1978 programs. In 1978, I ran for the senate; not to win but to make a point. Everybody thought it was impossible; they said that I would get 100,000 or 200,000 votes--I received 1.3 million. I am going to repeat that here again now; I am going to get many votes. People will have to explain afterwards.

[Question] How was your contact with congress?

[Answer] To begin with, I was already president of the MDB and the most difficult experience in politics is the party, the play of interests, the need to accommodate, to direct. It was always said that I did not control the machine but we controlled it--we won, Montoro and I, and when I arrived in Brasilia, I already had that experience. Obviously, when I arrived in the senate, I had the same sensation as when I entered the University Council: many professors believed that I was going to inflame the council. They were never quite sure whether I was a dangerous revolutionary or whether I was deceiving them all. Then when I went into the senate, people were wide-eyed. I made a speech and they liked it.

[Question] Was it a civilized speech?

[Answer] They liked its tone. I like the senate. It is a small place; you know everybody. Senator Afonso Camargo was one of the first to seek me out and I am his friend to this day; I like him. Afonso was considered ultramoderate but he was ultraskilled, balanced. I learned a great deal in the senate, to treat people well, not to make many speeches. You have to deal more with the press than the plenary body.

[Question] How do you define yourself politically and ideologically today?

[Answer] Today we are living at a time of great economic expansion not only in Brazil but also in the other countries of Latin America, even with the crisis. My generation helped Brazil change into a modern, industrialized urban country. It is a little as if we were in the Renaissance without being aware that there had been a Renaissance. Part of the periphery of the world capitalist system is becoming industrialized, becoming internationalized. At the same time, we are witnessing the decline of the great transforming myths. So today, you cannot be a conservative. You have to give democracy its contemporaneity and assume social transformation as an obsession.

[Question] An obsession?

[Answer] Right. You have to assume that and there has to be a transformation. And that is always going to be viewed by your attackers as smacking of being Red. You can be utopian but you have to organize the forces of change. Suplicy prefers denunciation to transformation. I prefer transformation to denunciation.

[Question] What do you think of him as a politician?

[Answer] He has more of a prophetic tone than the tone of a leader. His is an ethical-propagandistic discourse and I believe that political discourse has to be in correlation with the forces in order to actually change.

[Question] Would you like to be the president of the republic?



[Answer] Not as a fixed idea.

[Question] But do you believe that you have the capacity to govern the country?

[Answer] In the future, yes.

[Question] Who would you support for president of the republic?

[Answer] I never thought of supporting Tancredo and I supported him. At that time, he expressed changes that were necessary. I believe that in that connection, it depends on who expresses changes at the time of deciding on that support. I have great admiration for Ulysses. He has many qualities. But I also believe that there is a new generation arising out there that has not yet emerged.

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MAGALHAES FORECASTS MINISTERIAL CHANGES, CENTRIST PARTY

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 31 Oct 85 p 4

[Article by Carlos Chagas]

[Text] Minister Antonio Carlos Magalhaes yesterday predicted that two important changes were imminent in the national political picture, to occur after the results of the mayoralty elections in the capitals scheduled for 15 November were known, probably before January: a partial cabinet reshuffle by President Jose Sarney and the creation of a new government-supporting party made up of the Social Democratic Party (PDS), the Liberal Front Party (PFL) and some segments of the Brazilian Democratic Movement Party (PMDB).

In his opinion, party accommodation becomes inevitable because of the actual situation. Without it, we will not have a correct alignment among the parties. In the democracies, he commented, there are three big parties at the most. Others can operate as satellites or appendices. He believes that we will reach that point soon, with the accommodations and arrangements dictated by the nature of things. In that aspect, the legalization of the communist parties did not accomplish very much considering that among the 479 federal deputies not more than 10 assumed the previously clandestine party labels.

According to his calculations, the merger of the PDS with the PFL and the addition of part of the PMDB is going to generate a large center party the characteristic of which will be the defense of structural changes but within the framework of democratic discourse and principles. There was a time when he alone predicted the change. His was an isolated voice. Now there are many who think the same way. He will be one of the members of that new party, without any pretensions to control it. After the 15 November elections, many politicians will appear with even more leadership credentials than he to undertake the common task. Whenever those things occur, that is, when large parties are formed, the consequence is the destruction weakening of other parties. That is too bad but politics must follow its course.

In Antonio Carlos Magalhaes' opinion, the new party will vie with the PMDB for the predominance of power in the coming years and it will also be aligned in support of the government of the New Republic.

Quite restrained in his predictions, the former governor of Bahia does not foresee any major problems in the PFL agreeing to the change, even from

its top leaders, Aureliano Chaves and Marco Maciel, even though in public he prefers not to mention names or situations that have not yet occurred. For the PDS, there will be any other solution if they accept the change, even with the participation of certain groups linked to the past. At the same time, the new party will attract those who do not accept Leonel Brizola's language and messages. The leader of the Democratic Labor Party (PDT) has made the alliances that suit him: at one time with the PDS, at another with the PFL and the Workers Party (PT). He is carrying out a personal program, not a national program, exercising a right within the terrain that he occupies. That is hardly the natural course and the facts will soon prove it.

According to the minister of communications, the dichotomy between the left and the right does not reflect the real situation. It is false to attribute to the left a greater weight than it actually has. The spectrum from the center to the far left accounts for probably no more than one-third of national opinion. The vogue of being leftist is becoming passe, that is why the new party will emerge with a centrist platform, but a center with many changes. The presence of the right is detrimental but it is inherent in the premises of democracy, which must permit coexistence among all lines of thought.

Antonio Carlos Magalhaes believes also that the 15 November elections, even though partial, will generate another result. If he considers it opportune, President Jose Sarney will partially reshuffle the cabinet. He has full power to do that and does not need to wait for divestitures by cabinet officers or wait for constitutional time periods. It is his prerogative to fill all echelons of the federal administration. He will choose the moment for a reshuffle. He assumed the presidency with an advantage by beginning to govern with a cabinet chosen by President Tancredo Neves: he was not subject to the natural erosion that all appointments inhere. He did not face the friction of appointing the first echelon of the government. The opportunity for changes will be his, in the full exercise of his power.

The conclusions presented here are not those of the Bahian politician alone. Yesterday in congress, the subject of conversation pertained to the changes to occur after the mayoralty elections in the capitals. They will determine a rearrangement of the party picture, in the midst of friction, clashes and the assumption of positions among the parties and their factions. There will be no way of avoiding the consequences, whether on the party level or that of the federal administration. There will not be a better opportunity for President Jose Sarney to form the so-called utilitarian government, that is, to replace ministers who are not doing well. The changes are part of the political game. Sometimes they generate friction but they become necessary with the development of the situation. It is premature to know who will be replaced but that does not prevent one from conceiving of changes, more in the political and social areas and less in the economic area, and not at all hasty. First, it will be necessary for the ballots to speak, revealing fully who are the victors and the vanquished.

At the same time, it is felt that arrangements for the formation of the new party are advanced. Until a short while ago, the major resistance was in the PFL, with Minister Aureliano Chaves detaching himself in order to be able

to keep it intact and autonomous. It so happens that, of the candidates for mayor, the liberals have only one with a real possibility of victory: Jaime Santana in Sao Luis. The other candidates supported by the party capable of gaining first place belong to other parties. Thus for the members of the PFL, a recycling is essential if they plan to have an active voice and real participation in politics from next year onward, on account of the general elections. The idea of a super-merger with the PDS no longer appears to be impossible to them even if they have to coexist with some repentant Malufists. For the time being, of course, they will continue to resist a little. In the PMDB also, there are the disaffected--the kind that would feel better in a centrist party than among the groups leaning more to the left.

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AMBASSADOR URGES ELIMINATION OF PROTECTIONISM BEFORE TALKS

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 1 Nov 85 p 24

[Text] Geneva--The members of the General Agreement in Tariffs and Trade (GATT) must commit themselves to eliminate and modify their protectionist measures before the beginning of a new round of talks on the liberalization of trade. The appeal was made yesterday by Brazil through Ambassador Paulo Nogueira Battista. "This has to do with the credibility of the initiative" of the negotiations, he said.

"I do not believe we can begin new talks without guarantees that the main contractual partners are really determined to accept the rules of the GATT," continued the Brazilian ambassador. And he asked: "If there is freedom to introduce new restrictive measures at any time, what is the use of the negotiations?"

The elimination of the present barriers will be somewhat complex but Nogueira Battista told the press that the commitment should be assumed before the new round. "They are key topics and prerequisites for the negotiations." According to the ambassador, other countries support the Brazilian position.

Debt

Another point presented as a prerequisite was the acceptance by the creditor countries that the debt issue be negotiated at the political level. "We want to clarify this in order to evaluate if it is possible to concur in the establishment of a new preparatory commission."

Nogueira Battista spoke to the press after a meeting on a possible new round of negotiations. Representatives of Egypt, India, Yugoslavia and Argentina accompanied the ambassador during the interview. He revealed that there is "a very small margin of agreement" with regard to Western proposals, especially of the United States, for holding the talks.

In addition to the trade of goods, trade of services such as insurance and banking is reportedly on the agenda. Brazil and four other countries are the main opponents of the idea of including services in the discussions. "Few delegations agreed that services fall within the purview of the GATT."

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CSO: 3342/18

BC HEAD ON PARTICIPATION OF FOREIGN CAPITAL, NEW MONEY

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 22 Oct 85 p 40

[Text] The government will not amend legislation governing the entry of foreign capital into the national financial sector, and it does not intend to make any concessions in that area to facilitate renegotiation of the foreign debt. Fernaldo Carlos Botelho Bracher, chairman of the Central Bank [BC], made that position very clear yesterday as he was being honored at the National Club by businessmen and executives from the financial sector during a luncheon sponsored by ADEVAL (Association of Stock Brokerage Firms).

"There is no intention of changing anything in the legislation, at least until the country achieves an ideal equilibrium in its external accounts that will allow it to live with the presence of foreign capital in the financial sector," said Bracher. Participation by foreign capital in commercial banks is still banned, while in the other sectors--investment banks, for example--foreign capital remains limited to one-third of the voting capital.

The chairman of the BC made his statements in response to a doubt expressed by the chairman of ADEVAL, Ney Castro Alves, who had drawn attention during his welcoming speech to the "growing presence of foreign financial institutions in the country's financial market" as being a touchy aspect of the external area.

Bracher expressed the hope, however, that the country's general economic conditions would develop favorably so that within 10 or 20 years, we would be able to open the national financial market to participation by foreign capital, which can make a great contribution to that sector's development. We must all work to see that that stage is reached as quickly as possible. Roberto H. Barbour of the American Express International Banking Corporation, who was one of the representatives of foreign banks to be present at ADEVAL's well-attended luncheon, said that the problems in the external accounts, which prevent the establishment of a free exchange system, were the big obstacle to be overcome.

Foreign Agreement

During a press conference, Bracher denied reports published in a Sao Paulo newspaper and attributed to Luiz Gonzaga Belluzzo, secretary general of the



Ministry of Finance. According to those reports, Brazil was going to try to obtain new money in its renegotiation with its creditors. The chairman of the BC said: "Belluzzo has already denied those reports. In fact, we do not need new money, and our interest in renegotiating is to discuss the renewal, amortization periods, and costs."

Optimistic concerning the possibility of an agreement with our creditors, Bracher compared the negotiations to a courtship between John and Mary. "John (Brazil) wants to get married. Let us hope that Mary also wants to. We are certainly going to get an agreement with the bankers," said Bracher. "Whether we are going to go through the IMF or not is something I don't know, but that appears to be the most sensible path."

#### Suggestions

Ney Castro Alves expressed confidence in the performance of the new team at the Central Bank and presented a few of his sector's aspirations, among them the following: in connection with the open market, greater freedom in the formation of interest rates and in the makeup of portfolios.

Concerning the foreign area of the economy, the chairman of ADEVAL advocated keeping the exchange reserves and, simultaneously, allowing a greater number of institutions to participate in the domestic financial market so as to increase competition. Concerning the capital market, the chairman of ADEVAL suggested that access by all institutions to the various kinds of operations be facilitated, with capability and the willingness to work being favored over simple possession of a charter, which is a "powerful instrument for restricting the development of markets."

11798

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## FAB DEFINES SPECIFICATIONS OF FUTURE SUPERSONIC JET

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 23 Oct 85 p 5

[Article by Godoy]

[Text] Specifications for the supersonic fighter plane that Brazil will build in the next decade are already being worked out in theory by the High Command of the FAB [Brazilian Air Force]. It will be a delta-wing aircraft capable of flying at a speed of 2,500 kilometers per hour and will be equipped with canards--to ensure better aerodynamic performance--and advanced electronics. Those specifications were mentioned yesterday to O ESTADO DE SAO PAULO and the JORNAL DA TARDE by five general officers participating in yesterday's ceremony marking the official presentation of the AMX tactical fighter plane at EMBRAER [Brazilian Aeronautics Company] headquarters in Sao Jose dos Campos. All the technical details for the new aircraft, which will ensure air superiority and which will be the ministry's next priority, are to be worked out completely over the next 2 years.

The AMX flew for 10 minutes in the presence of President Jose Sarney, 14 of the current administration's ministers, 2 former ministers, and at least 1,500 guests--including about 15 military attaches. In a celebration marked by punctuality, test pilot Luis Fernando Cabral began the official presentation of the Italian aircraft--developed in partnership with Brazil--at exactly 1600 hours. After an unobtrusive takeoff, the small attack jet, painted in the colors of the Italian-Brazilian consortium carrying out the program but showing the dark green colors of the FAB on its wings, made its first pass at medium altitude with a roar of its Rolls Royce MK-107 Spey turbine. Sarney applauded and pointed out the plane to Maria Tereza Bindao, the little girl he had invited to attend the inaugural flight. Cabral did not exceed 400 knots--nor was there any need to: at that speed (close to 700 km/h), his exhibition included spins, upside-down flying, "open-angle lumping," sharp curves both inward and outward, flying close to the ground, and a short landing. It was not a new experience for 53-year-old Captain Cabral, an EMBRAER veteran who tested the Bandeirante, the Xavante, the Brasilia, and the Tucano--and who intends to "be in the supersonic jet in 1992." It was also he who handed a model of the AMX to President Jose Sarney. At the cocktail party held later, he said simply that "the aircraft behaved well," avoided requests for his autograph, and drank only guarana.

## Future Plane

According to the five air force generals from the High Command, the nation's future supersonic plane, which will be built by EMBRAER ("probably in partnership with a European firm," according to Minister of Air Moreira Lima), will have to fall within specific technical parameters. For example, it will have only one turbine with a thrust of between 9,000 and 12,000 kilograms using its afterburner. It will also have only one tail assembly. It will be of a type intended for multiple use, being capable of carrying out interception and air defense missions with maximum efficiency in all kinds of weather and also having high ground-attack capability. Present criteria call for a weapon system consisting of two 30mm guns with a minimum capacity of 5 tons (and a maximum of 9,000 kilograms) with respect to external stores (drop tanks, missiles, rockets, bombs, and electronic capsules). Basically, it will be capable of operating in critical conditions at an average of nine G's (nine times the force of gravity), thus retaining the basic characteristic desired by the FAB: extremely high maneuverability combined with a low profile.

Operating at a ceiling of 15,000 meters, it is to have a range of between 2,500 and 3,000 kilometers unarmed and of 900 kilometers in combat configuration. "Monoplace" will follow the trend noted in British Aerospace's ACA (Agile Combat Aircraft) for Great Britain or France's Rafale (Marcel Dassault). Those planes, which are being proposed for the 1990's, incorporate many computers and digital electronic systems and take their inspiration from the current equipment on such aircraft as the U.S. F-15 Falcon or the Mirage 2000.

"All of this is a plan for the next decade. We are not going to go beyond our capacity," emphasized Minister of Air General Moreira Lima, who says that "in view of the success EMBRAER has had, Dassault in France, Messerschmidt in the FRG, and British Aerospace in Great Britain are interested in forming a consortium with us to build the supersonic jet. There are also proposals from the United States and Italy. But we are only looking at the idea as a whole. First we have to invest a great deal in refining the AMX."

## Press Conference

Before the AMX tactical fighter made its official flight, the binational managers of the project spoke with reporters and announced, in the words of EMBRAER's sales manager, engineer Ozilio Carlos da Silva, that "this first program for technological cooperation between countries separated by an ocean and by the North-South division is turning out to be very effective." It was announced at the meeting that the updated cost of the program is estimated at \$1 billion, with EMBRAER being responsible for about \$300 million of the total investment and the rest to be supplied by the Italian partners, Aeritalia and Aermacchi. It was also announced that the three partners will stick to an international sales pattern consistent with their areas of influence—in other words, Brazil will be active in the Middle East, Latin America, and West Africa, while the Italians will work in the Near East and large areas of North Africa and Asia.

There is no decision yet on the number of orders for the two-seat trainer version or for the naval configuration (the specifications for which were defined over the past 5 months). The commercial price of the AMX on the market will be \$10 million--\$3 million above the estimate made when the operation began in 1981.

This new tactical fighter plane is capable of carrying 3,000 kilograms of weapon stores for distances exceeding 1,500 kilometers and is virtually invisible to the anti-aircraft surveillance systems now existing on the continent. The FAB will begin receiving the first of its 79 aircraft during the first half of 1988.

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## BRIEFS

**NEW PCB HEADQUARTERS**--Rio de Janeiro--Yesterday the Brazilian Communist Party [PCB] celebrated the inauguration of its new national headquarters: a suite of 12 rooms on Presidente Vargas Avenue in downtown Rio de Janeiro that will cost the PCB 3.6 million cruzeiros per month, including condominium expenses. The headquarters, located in the Aquitana Building (at 529 Presidente Vargas Avenue), will occupy the premises formerly occupied by the printers' union. But the "big party's" big dream is still that of either being able to put up a new headquarters building (designed by Oscar Niemeyer) or, failing that, to rehabilitate--also using plans drawn by Niemeyer himself--the big building that housed the PCB during its other period of legal existence just after the New State in 1945. That building was at 25 Conde Lage Street--a street made famous by the bohemian atmosphere of Rio de Janeiro's old Lapa district. The new headquarters will make it possible to centralize the PCB's entire leadership in one location. Until now the party has continued to operate out of the office of former Deputy Alves de Brito and the offices of the party newspaper A VOZ DA UNIDADE. The national directorate, headed by Giocondo Dias, and the regional and municipal directorates will also be housed at the headquarters on Presidente Vargas Avenue. [Text] [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 22 Oct 85 p 2] 11798

**CACEX TRADE SURPLUS FORECAST**--Rio de Janeiro--The Brazilian trade balance will show a surplus of over \$1 billion this month, according to a forecast made yesterday in Rio de Janeiro by Roberto Fendt, Jr., director general of the Bank of Brazil's Foreign Trade Department (CACEX). That favorable result will include exports totaling more than \$2 billion, he added. The predicted figure--based on export and import permits issued to date--is lower than the \$1.2-billion surplus recorded for September, which was "a result helped considerably by elimination of the uncertainty concerning the exchange policy, since there were doubts in August as to what steps the government would take in that area." Fendt also announced that the government is working to eliminate the effect on exports of a few indirect taxes so that Brazilian exporting activity will become competitive within the existing norms laid down in international trade agreements (that is, GATT). He explained that there are still a few taxes which "conflict with the universally adopted principle of not exporting taxes to third countries and which in our case, despite being minor, do add a certain burden to the price of products when they are added together." The director of CACEX was participating in the work of the general

meeting of the Association of World Trade Centers when he announced that the Brazilian Government was working on a trade policy aimed at expanding the country's presence in the most varied markets. [Text] [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 23 Oct 85 p 28] 11798

CSO: 3342/12

## SEVEN GROUPS CLARIFY POSITIONS ON NATIONAL ACCORD

Santiago EL MERCURIO in Spanish 3 Nov 85 pp D-1, D-2

[Text] EL MERCURIO posed the following questions to the most representative politicians who have signed the accord:

Can the members of the parties that signed the accord form alliances with the PC [Communist Party] or the MDP in the elections now being held?

Is the accord compatible with the so-called social mobilization? What is this social mobilization supposed to mean? Is there some sort of mobilization that ought to be excluded?

When all is said and done, can the social organizations make independent decisions even though they are run by members of the parties that signed the accord?

Patricio Aylwin: Christian Democratic Party

"Let's understand each other. The accord obviously excludes any political alliance between those of us who signed it and those who reject it or maintain positions that are incompatible with its content, such as, for example, the Communist Party and the UDI," Patricio Aylwin began by saying. He immediately thereafter makes an exception, however, saying that the exclusion of alliances does not apply to elections that are not necessarily political. As an example he indicates that there is no reason for elections of governing bodies in social organizations such as labor and trade unions, professional associations, student federations and others to be approached in partisan political terms; instead, they should serve the specific interests of the organization in question. He thus concludes that "the ideal thing in this regard is to bring together as many people as possible, without exclusions and disregarding partisan ideological differences."

The prominent Christian Democratic leader explains the meaning of social mobilization under the accord as follows. The accord, he says, "proposes a path for reestablishing democracy in Chile. It sets forth the common ground that Chileans all across the political spectrum have patriotically forged with respect to the best way of dealing with the alarming conditions in our



country. It calls on all Chileans and, in particular, those who hold power, to move forward along this path."

But inasmuch as the government has so far rejected and even tried to discredit this appeal ("as the vague expression of ambitious political leaders") and seems bent on combatting it, Aylwin goes on to say, the question arises as to what we ought to do.

"What can and must those of us do who are sincerely convinced that the propositions in the accord really offer the best path for Chile and represent the feelings of the vast majority of the Chilean people?" The answer, he says, is to publicize the accord's content, to drum up support for it and to call on our fellow countrymen to voice such support. "This is social mobilization."

He adds that the reason for the mobilization "is the government's blind eye and deaf ear to the people's needs, aspirations and problems and its obvious reluctance to truly move towards democracy."

He contends that this situation explains the protests: "When the authorities do not even respond to the petitions presented to them, the people protest to make themselves heard. In the absence of democratic channels, this is the only way at present in the country for people to exercise their right to take part in their homeland's government."

With regard to the freedom of intermediate organizations to enter into alliances or to undertake mobilizations other than the ones endorsed by the agreement they signed, Aylwin begins by underscoring the principle of their autonomy:

"Social organizations must be autonomous, that is to say, they must run themselves and pursue their own interests. This means that neither the government nor the political parties nor anyone on the outside should try to use them to further interests other than those of each organization."

Taking the principle of autonomy to its logical conclusion, the Christian Democratic leader states that party heads cannot be challenged on whether alliances are or are not consistent with the party and with the National Accord:

"When organizations elect their own officers, it is up to the latter to act in the way that best represents the majority of the members, independently of their own political stands. We Christian Democrats are not accustomed to giving partisan political instructions to our members who hold official positions in these organizations."

Carlos Briones: Socialist Party

The former political leader believes that we must begin by reflecting on what the National Accord is:

"It is a consensus that has enabled the opposition to regain its vitality by taking a reasonable and realistic approach to overcoming the national political crisis; also, it lays the necessary groundwork for an agreement across the broadest spectrum of political and social forces that are honestly in favor of a transition to democracy. Aside from this, it spells out clear-cut options for politically confronting the dictatorship's rigidity. Lastly, it sets forth general economic and social goals for the transition, which is understood to mean a broad-based, nationwide effort to reweave Chile's social fabric."

Therefore, Briones adds, his party, the Socialist Party, is supporting the accord "unambiguously." He emphasizes the "unambiguously" to differentiate his party from the groups that back just the immediate measures but not the substance of the accord.

With regard to the problem of electoral alliances with the Communist Party, he goes on to say that turning the accord into a political and electoral pact does not seem acceptable to him either, because this is not the nature of the commitment that the signatory political forces made.

"Nor could it be, because electoral pacts between political parties are possible when democracy and public freedoms are in force and when the will of the people is gauged in elections with universal suffrage. Therefore, to talk about electoral alliances between parties today in Chile is to fall into the booby trap that has been set for the naive."

Briones adds that elections are possible in Chile today only in the social movements, groups and institutions that have succeeded in gaining a degree of freedom through their democratic struggle. He goes on to say that the Socialists will not try to appropriate these gains "by manipulating social groups and imposing on them decisions that they themselves do not democratically make. We are respectful of social identities and autonomy."

The Socialist leader indicates that if the FECH [Student Federation of Chile] or the professors decide democratically that it is in their interest to seek understandings between various groups, be they Christian Democrats, Communists or Socialists, "we cannot step in as lords and masters and impose on them an electoral logic that runs counter to the one that they deem most appropriate for their sector or given their circumstances. We signed the National Accord not to narrow the range of freedom but to expand it, not to weaken unity but to strengthen it."

Briones underscores the autonomy of intermediate social organizations and respect for their identity, as the basic principles of "our socialist ideology" proclaim, not only in connection with possible alliances but also regarding the options for mobilization.

He then explains that such social organizations are privileged channels for promoting democracy and the sovereignty of the people and that the political parties must not absorb or manipulate them for electoral purposes.

"In our judgment, this principle is a key to a solid democracy in Chile's future. We are observing this principle right now, even though it hurts. The general will of the people is the sum of each individual will. The parties that understand this will receive the backing of the masses. We therefore believe that our role is to be present and to try to understand, accepting the democratic will of the people and expressing it as faithfully as possible. Our task is to convince, not to impose."

Briones indicates that social mobilization is nothing more than "the activities that the people are undertaking to restore democracy and reestablish their sovereignty. A person who mobilizes is a person who has decided to overcome passivity and indifference and to further democratic ideas, even if the risks are great."

The president of the Socialist Party goes on to say that every day more and more Chileans are willing to take specific action to express their opposition to the regime and their resolve to restore democracy, freedom and justice, which are the goals of the mobilization that the Socialist Party is pursuing with all its might. "The purpose of our alliances and of our entire policy today is to take up the people's struggles as the party's number one priority." With regard to the type of mobilization he has this to say: "We act in accordance with our democratic principles, which rule out violence and the armed struggle as methods of political action. On the other hand, we see active civil disobedience as a viable method of opposing the regime."

He says that they are devising and constantly encouraging forms of peaceful protest, spur-of-the-moment gatherings and democratic activities expressing opposition to the regime and demanding the transfer of power to civilians. In short, Briones goes on to say, any nonviolent action for human rights and democracy or against the regime is acceptable, necessary and urgent.

"If such action did not exist, the regime would perpetuate itself, dragging the country down into a terrible disaster of violence and suffering. No one could possibly think that we Socialists signed the National Accord to bolster Pinochet's autocracy."

Andres Allamand: National Union

As far as the young leader of the National Union is concerned, electoral alliances, forms of social mobilization and the autonomy of intermediate organizations all pose problems that require clear-cut approaches, which he seems to have.

As to whether the signers of the accord can or cannot ally themselves with the Communist Party, Allamand is categorical: "Political alliances with the Communist Party are incompatible with the National Accord and with its purpose. "He goes on to say that this is because the text of the National Accord rejects violence "from wherever it might come, as a method of political action." Moreover, its signers made a "solemn pledge to undertake future activities in a spirit of democratic loyalty" in accordance with the institutional principles contained in the accord. Prominent among these

principles is the unconstitutional nature of groups that do not respect democratic values and, consequently, their exclusion from politics.

"The program and action of the Communist Party are clearly totalitarian and violence-oriented and thus contravene the institutional principles set forth in the accord. Therefore, the signers of the accord must refrain from reaching agreements or allying themselves with communism; otherwise, they would be seriously violating the letter and spirit of the accord."

To express his views even more categorically, Allamand quotes statements that the president of the Christian Democrats made last April rejecting the Communist Party's strategy of violence "for moral reasons first of all." He cites another remark by Valdes, on 13 October, when he denounced "the strategy of violence as incompatible with the struggle to achieve a real democracy."

Finally, the president of the National Union adds, "the purpose of the National Accord is to achieve an understanding with the government that will make possible a peaceful transition to democracy. In contrast, the Communist Party advocates armed confrontation with the government; therefore, a political alliance between the signers of the accord and the communists would obviously hamper this much needed understanding."

With regard to the various forms that social mobilization could take, Allamand also emphatically rejects protests. "They are not compatible," he says, "with the accord, because they are by definition violent and inevitably lead to death and destruction. To claim that protests are peaceful is just a euphemism."

The National Union leader clarifies that support for the accord must be peaceful and that, consequently, the people who back the accord must give reasonable assurances that this will be its hallmark. In this regard he notes one of the government's obligations: to allow peaceful demonstrations to be conducted without unjustified impediments. "Otherwise, it is in fact encouraging protests, which lead nowhere and harm everyone."

As to the issue of whether social organizations are or are not free to form alliances and to undertake mobilizations other than the ones endorsed by the National Accord, Allamand says that he is surprised by the sudden interest of certain sectors in the "autonomy" of these organizations vis-a-vis the "political world." He indicates that these are the sectors that have systematically used those organizations as their tools and that it is even more contradictory for the people who a year ago attached far-reaching political meaning to the FECH election results to now claim that these same elections are devoid of any political significance.

He acknowledges that the elections held in the intermediate groups are marked by differing degrees of politicization: "In some there is no politicization, and in others it is obvious. What is unacceptable, though, is to claim that markedly political elections, in which the candidates take characteristically political stands, are not political."



In these instances, Allamand goes on to say, there are only two ways to interpret the autonomy argument that certain sectors are essaying:

"Either it is a pretext for not fulfilling their commitments in certain social spheres, or it is an acknowledgement of their inability to control their rank-and-file. "This latter sort of 'autonomy' is apparently what is really worrying those who have resorted to this argument."

Enrique Silva Cimma: Radical Party

Like the rest of the respondents, the president of the Radical Party, Enrique Silva Cimma, felt that he had to comment on the accord before specifically discussing the issues we raised.

"We want to state clearly for the record that the Radical Party signed the National Accord out of a patriotic desire to build a consensus among Chileans around a deeply felt aspiration that we are sure the overwhelming majority of our fellow countrymen share: to achieve democracy peacefully."

He goes on to say that they did so "generously and unselfishly," inasmuch as the accord "represents a compromise among the signers, whose understanding was that its overriding aim was the search for unity around what we saw as the essential groundwork of a genuine democracy accepted and sought by all. We stress that the accord reflects the thought of the common man in our society."

As far as the Radical leader is concerned, herein lies the accord's greatest merit, and he is therefore "surprised" that it has been criticized "because it is simple." "It means," he adds, "that those who criticize it for this reason do not really want a genuine democracy promptly in Chile."

After making these remarks and then arguing that the questions posed to him show that "the generosity of the accord has not been understood," the Radical leader made seven points about the accord and its relationship with alliances and social mobilization.

He says first that the accord means that "there is a clear-cut democratic alternative that has been found for Chile's immediate future," adding that his party, therefore, "is struggling to bring about this alternative peacefully."

This does not mean, however, he notes later, that social mobilization has been renounced. "Our pacifism does not mean a do-nothing policy; on the contrary, we maintain that civil disobedience and our legitimate right to voice dissent cannot be throttled."

He places the issue of alliances within this strategy, stating that his party is prepared to ally itself "with all who accept the peaceful nature of our struggle and who agree to wage it now, that is to say, to restore our democracy."

This, he says, is why they have declared themselves in "permanent mobilization," which as part of a peaceful approach "is neither negotiable nor

relinquishable, because it has a higher goal: we are convinced that without it we will not achieve democracy."

Silva Cimma denies that his party's approach is incompatible with the National Accord because in his view "our approach is in keeping with the underlying meaning of the search for reconciliation to which we were summoned, that is to say, to reconcile differences of opinion and peacefully lay the groundwork for a prompt return to democracy."

In conclusion, he ruled out the possibility of this leading to violence or chaos. "On the contrary," he indicates, "chaos will inevitably be perpetuated in Chile unless those who wield power realize that with their wrongheadedness they are playing into the hands of terrorism and violence of every sort."

Luis Maira: Christian Left

Political leader Luis Maira considered the three questions posed by EL MERCURIO "so important and incisive" that he felt he had to make a series of observations to answer them logically.

He maintains first that the National Accord "is not and ought not to be a political pact, because that would detract from its value and functionality." He adds that it is, in contrast, "a political proposal that a very wide range of democratic forces on the Left, Center and Right have put forth to make possible an orderly political transition and a stable democratic system in the future."

"The beneficiary of the accord," Maira goes on to say, "is the entire people of Chile, and it should not be administered by a small group of people or a small party group. The more it breaks away from the control of the people who drafted it, the stronger it will become, to the extent that millions of Chileans see it as theirs and as it gains support from all of the social organizations that are interested in restoring a democratic coexistence to our country. Only this would lend it the strength and breadth that Fuenteovejuna had in responding to the excesses of 'that commander.'"

The president of Christian Left adds that now that the door to negotiation is closed, the National Accord could further a more effective social mobilization. He recalls that the major limitation of the protests that have been staged since 1983 was that although they gave vent to the desire for democracy, they did not have a political proposal behind them and were thus of no use in coming up with a solution. "In my judgment, the accord's major merit is that it sets the stage for combining a broad-based mobilization with a concrete political proposal, which is in keeping with common sense and Chile's democratic tradition."

In this context, with regard to whether the Communist Party ought to be excluded or not, Maira's answer is that each political force has to decide on its own policy of alliances as a function of its programs and strategies. "Ever since our party was born, we have been on the Left and we have



agreements with other leftwing forces. We will continue to do so, though we do not seek to impose the same approach on anyone."

With regard to the objectives and forms of social mobilization, Maira says that "support for the National Accord should first include its dissemination throughout the country and the mustering of additional backers to show that it does have majority support. Then, in light of the responses from the authorities, we will see what new steps have to be taken to assure the return of full democracy to Chile." He goes on to say that in this connection it is not advisable either to speculate or to get ahead of ourselves, noting that "the only limit to our activities is terrorist acts," which he understands to mean the anonymous use of violence against individuals.

As regards social organizations, Maira believes strongly in their autonomy. "No political party ought to manipulate them as far as deciding their tasks is concerned." In his view, the problem with the accord is not the electoral alliances that party leaders might enter into or the mobilizations they might undertake. What the Christian Left is interested in, he indicates, is for parties "to support the National Accord in accordance with their platforms and interests, as we acknowledge their right to keep on struggling for their own specific demands." From this perspective, he sees no contradiction between the National Accord and "the FECH or the FEUC [Federation of Catholic University Students] struggling for the right of universities to elect their own authorities; health care workers fighting for a larger hospital budget; organizations of retired persons fighting for renewed pension adjustments; or professional associations demanding a solution to the unemployment problems of their affiliates."

Fernando Ochagavia: National Party

Ochagavia indicated that the National Party has a very clear-cut stand on whether the signers of the accord can or cannot enter into election coalitions with the communists.

"The Communist Party is philosophically antagonistic to the principles embraced by those of us who belong to the Western democracies. To us, the rights of man come before the rights of the State, whereas the Communist Party makes man a subject and tool of the State. It also regards the State as the owner of all property, whereas to us private property is the foundation of the freedom to which we all aspire."

Ochagavia draws additional distinctions. Changes of government, meaning the ability of parties to take office or to represent the opposition, are totally denied in the communist world. "Not only are there no changes of government there, but no party other than the Communist Party can exist."

Why talk about the rights of minorities, Ochagavia adds, indicating that such rights take the form of Russian tanks rolling into the part of Europe that communism controls today, even though the majority of the people there have not chosen such tyranny.

In this regard, the National Party leader concludes that there can be alliances only between the parties and sectors that have a similar concept of the common good, which rules out any alliance with the Communist Party. He recalls in this connection that the former regional electoral alliances between disparate forces did much to discredit our democracy.

Ochagavia has this to say about the obligations of the accord signers regarding alliances:

"Any party that signed the National Accord is being inconsistent with its own identity, as expressed in the accord, if it enters into an electoral pact with the Communist Party. We feel that this discredits the accord and we will not accept it."

Moving on to the topic of social mobilization, the National Party leader believes that people are entitled to any democratic form of voicing dissent as long as it does not infringe on the freedom of others. In this regard, speaking as the representative of the National Party, he categorically rejects violence, "which unfortunately has been the outcome of protests." He then describes the protests as contradictory because they have not met with the support they were after."

Ochagavia contends that forms of dissent must be peaceful, employing basically argument and persuasion. He says the same about mobilizations. He recalls some successful experiences in this regard, as when housewives banged on pots and pans from their homes:

"That mobilization had backing and was successful, demonstrating that a major segment of the country was voicing its disagreement with the government over the problems besetting the majority of Chileans today, most of which are economic, not political. It was a warning to the authorities, especially given the absence of the traditional channels of democratic expression, such as political parties and a Congress."

As for the intermediate organizations, Ochagavia asserts that the National Party distinguishes between the goals of individuals and the goals of trade unions. Whereas individuals can and must take political stands, trade unions as such must pursue the goals that fall within their province.

Since he is aware that politicization is often a fact of life, he clarifies that if it comes about, the obligations that the National Accord imposes cannot be shirked:

"I think that the country will not accept it when groups that have pledged in the National Accord not to enter into pacts with the Communist Party, whether they are political parties or trade unions run or controlled by a party, afterwards take actions that run counter to what they have pledged."

## Rene Abeliuk: Social Democracy

The top Social Democratic leader, attorney Rene Abe'liuk, noted before getting down to brass tacks that in his judgment the issues of alliances and mobilization "do not involve the National Accord, as the citizenry is becoming increasingly convinced, in spite of the efforts of its enemies, that the accord is the only rational and peaceful way to surmount the current crisis."

Acknowledging in any event that these issues are pertinent to how the accord can be carried forward, he answered the questions from the perspective of his party.

As to the possibility of electoral alliances with the Communist Party or the MDP, Abeliuk says that as he has indicated on several occasions, his party and the Communists are "far apart on their strategies of confronting the regime and, of course, in connection with the National Accord, which means that a comprehensive alliance is ruled out."

Therefore, in his judgment, the issue has to be approached from a perspective other than politics. "The problem has to do with what have come to be called 'liberated zones.' This term refers to the social organizations that are striving to or have already broken away from the control of the authorities." As far as he is concerned, within these 'liberated zones' we must in no way regard as political alliances the various arrangements that the members of the social groups have devised to elect their internal authorities or other actions that they may undertake as members of necessarily autonomous social groups."

In any event, in Abeliuk's opinion, the issue of these social organizations' autonomy vis-a-vis political parties is quite complex.

He acknowledges, first of all, that one of the problems with our democracy before 1973 was the politicization of the entire society, including student organizations, unions, professional associations, etc. The problem, however, has not been resolved, in his opinion. On the contrary, "it has been aggravated by banning politics in its natural sphere, inasmuch as a repressed society defends itself by turning to social organizations to rescue the country from the dictatorship and to fulfill its desire for participation."

On the basis of this assessment he then asserts that even if in theory social organizations ought to enjoy autonomy to make a case for their own grievances, "certain social actions can undoubtedly have political repercussions." He cites the specific case of FECH, explaining what happened there as follows: "The current government has of course tried to downplay the University of Chile, but the FECH election has traditionally be seen through political eyes. Thus, in addition to their own problems, students raised the major issue in national politics, which is the National Accord for the transition to democracy."

As to whether social mobilization is a strategy that runs counter to the National Accord, Abeliuk acknowledges that this is an as yet undecided point.

"This is one of the issues that the signers of the National Accord ought to debate to reach a consensus like the one that was achieved on the issues of the return to and preservation of democracy."

In his view, in any event, this point "has to do with the strategy needed to make the National Accord a reality, given the government's stubborn opposition to any compromise solution to Chile's grave crisis." In this regard, he says, "a degree of social pressure is indispensable, a point on which the signers ought to reach a consensus."

In conclusion, Abeliuk indicates that in his opinion, given the government's stand, "any social mobilization to make the National Accord a reality and to further sectorial demands is legitimate, as long as it remains peaceful and does not get caught up in the violence that the government and certain extremist groups as well usually provoke." He concludes by indicating that "striking this balance is the great challenge facing this country's democrats in forcing a move towards democracy through understanding and consensus."

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## CHILE

### FRESNO HOLDS CLOSED MEETING WITH POLITICO-ECONOMIC LEADERS

Santiago QUE PASA in Spanish 25-31 Jul 85 pp 8-10

[Article by Patricia O'Shea]

[Text] "He is not in Santiago. Come back after lunch." This was the answer from several secretaries Monday morning when QUE PASA tried to verify the whereabouts of certain public officials. The fact is that a select group of prominent persons had a private meeting to which Cardinal Juan Francisco Fresno, archbishop of Santiago, was invited. It somewhat reminded one of the response given during those moments of suspense between August and December 1983, when newsmen, almost by a fluke, found out about a meeting of dialogue at Monsignor Fresno's home. Present were Sergio Onofre Jarpa, Francisco Bulnes, Gabriel Valdes, Luis Bossay, Enrique Silva Cimma, Ramon Silva Ulloa and Hugo Zepeda, almost the same ones attending this time.

But that abortive experience apparently taught some lessons. One of them is that negotiations should take place in secret. And so it was this time, without newsmen or leaks. But...as is the case in most of such events:

The place: Calera de Tango. The time: Monday morning, starting very early (each of the participants was given a little map so he would not get lost). Those attending: Gabriel Valdes, Patricio Aylwin, Carlos Briones, Rene Abeliuk, Pedro Correa, Hugo Zepeda, Enrique Silva Cimma, Francisco Bulnes and Andres Allamand. But this time, Fresno did not confine himself to politicians. Rather, he included two economists: Sergio Molina and Fernando Leniz, who, it is said, attended as Fresno's personal friends. The only host: the cardinal and archbishop.

No one left Calera de Tango without a categorical warning: not one word of what was discussed to newsmen. The version of the meeting would be given by Fresno himself, who from there went to Punta de Tralca. As this edition went to press, the official statement -- which will necessarily be like the tip of the iceberg with respect to what was discussed -- was still awaited.

How did it come about? It was the naming of Fresno as cardinal that is the immediate root of the meeting, although even before, as archbishop, he had reported that the Pope had told him to explore every possible pastoral path for cooperating with the unity of all Chileans. Consequently, it was not strange that, on the occasion of the congratulatory messages over his



appointment, he should begin to plan the meeting. The groups began to talk with him separately about the national situation (last week was the turn of the Christian Democrats). On other occasions, he had them summoned. Points of agreement were noted and there were several. Why not then put them together? As QUE PASA was told, the meeting was to have taken place about a month ago, but Francisco Bulnes, who was taking a rest, could not attend, as a result of which it was postponed until Monday.

Perhaps the first signal that something was coming was given by Fresno himself on Sunday when he said that he had met with Minister of Interior Ricardo Garcia and that he agreed with him on condemning terrorism. This was not the first time he had met with Garcia. According to QUE PASA's information, the minister of interior has met with Fresno on many occasions to talk about the country's situation.

This Monday, Fresno was alone for the meeting. The first thing he reportedly revealed was his annoyance over leaks that had occurred. Based on what has been learned, those present wanted to respect the silence. "The behavior of those present is fundamental for determining what will now happen. The next 2 weeks are crucial in seeing whether a second meeting will take place," said one of the participants. The second meeting was not firmly established.

#### UDI

According to what QUE PASA has learned, Fresno wanted to play down the meeting. I had simply pointed out that the guests had a responsibility to the country, that he realized that there were points of agreement among them and a need to seek paths of unity. No great progress was made, but there was a possibility, the first attempt. The role played by Fresno was reportedly more active than on other occasions, but not as great as some of those present would have liked. The basic message was reportedly that it is essential to seek reasonable and viable solutions, that it is time to look at the political issues seriously and in depth. It was understood that the solutions would be hindered if one returned to the strategy of making speeches and statements every week and on every occasion. If this is handled well, they say, something "reasonable" might come of it (although the term applies to everything). Will it be reasonable to assume that it is a Dialogue II? Fresno might now want to act like Cardinal Samore: government and opposition kept separate until agreement is achieved.

The absence of certain groups from the meeting was noteworthy. The criterion for their exclusion? The socialists on the left and the UDI [Leftist Democratic Union] on the right. The UDI officials did not go in that capacity to congratulate Fresno when he was named cardinal, unlike these other groups. "I prefer to think it was an unfortunate omission," responded one member of the UDI when we asked him about the absence. "If it should be a deliberate exclusion, then it would be in contradiction with the calls for reconciliation made by the archbishop and furthermore, it would mean that he had gone beyond his important role, since it would not be up to him to determine who should participate in the unity effort and who should not." Whatever the case, this "omission" is supposedly not related to the reproach which the UDI recently



made of Monsignor Precht, since the meeting had already been scheduled ahead of time. "Nor should one think that it is because we did not go to congratulate him," the source added, "for this is not a basic problem and Monsignor understands that." Would they have attended if invited? "Naturally. We have always gone where we have been invited."

It is not clear how to view Fresno's move and whether or not it is related to the document of concrete actions for the reconciliation that the bishops are to reveal soon. One might think that it is his own parallel move, not in contradiction with the proposals made by the bishops.

The government's reaction as this edition went to press was unknown, but it must have provoked more than internal discussion at a time when the Vatican is studying the possibility of establishing permanent commissions with the Chilean Government. However, if Fresno has met on several occasions with the minister of interior, the meeting cannot have been a total surprise.

Civic Front: With or Without the PC

In addition, the meeting took place at a time when the democratic opposition is working on formation of the so-called Civic Front, an issue also discussed in Calera de Tango. Before the rain at the beginning of the week, a well-known opposition lawyer told QUE PASA that, in the absence of climatic fronts, the only thing approaching was a "civic" front! "Not even that!" retorted others, for in the light of these concrete steps, the front is still "green," an affirmation with which Enrique Silva Cimma agreed when consulted by QUE PASA.

The paternity of the Front is claimed by AD [Democratic Alliance] socialists, who have made their membership in the former group dependent upon the establishment of the latter. "If the Alliance or the Socialist Bloc do not achieve it, it means that they are no good and we shall review our participation in them. If this Front is not formed, it would mean confirmation that ideologies have prevailed over pragmatism," says Ricardo Lagos.

However, it so happens that what the different groups mean by Civic Front is not the same thing. Grosse modo, the Front includes a range from Briones' socialists to the National Party. The idea would be to expand it to the right to include the National Union. On the left is the bone of contention: the Communist Party.

For the time being, some sources say, the PC has excluded itself. For the social democrats, it is definitely out. But such is not the case for socialist Lagos, who wants to convince communists to abandon the path of violence. Excluding them a priori is equivalent, to him, of "pushing them into the mountains" so that they will assume an openly revolutionary posture. He fears that the cost of this in the future would be enormous. Enrique Silva Cimma, considering Lagos' position valid, maintains, on the other hand, that as long as the latter do not make an explicit statement of abandonment of the violent line (reaffirmed by the plenary meeting of the PC this year), they have excluded themselves. Furthermore, the Nationals have said that they will not be in the same group as the communists. Although they blame Pinochet for artificially placing the communist problem in the forefront, the issue is the *quid*

in any discussion which, to date, threatens a break with the socialists (who, if they should withdraw from the Alliance, Lagos says, will not join with the PC because this would mean returning to the Code versus the Popular Unity).

For the socialist, just as no one can be excluded, no one can impose a specific strategy. "Coordination of the opposition must be greater than it is today and must embrace political and social aspects because the latter have achieved a degree of autonomy they did not have before and which, I hope, they will maintain in the future because politics cannot take in everything." In addition, QUE PASA was told that all AD efforts are now concentrating on social reconciliation with debtors, retired persons, the unions, professional guilds, businessmen, and so on.

For the Time Being, Nothing

Both for Lagos and Silva Cimma, however, the important element of the Front is that the latter show that the only possibility is not Pinochet, that they are capable of forming an alternative (and what if they cannot unite?). That is what the Front is for, while others in the opposition maintain that it is a mistake because to have an alternative today is "cannon fodder" for Pinochet to destroy as such. The alternative should emerge when necessary, meaning late in 1989.

Today, Silva Cimma says, the Front is only an opposition bloc. But he also admits that he does not yet have a strategy for being able to achieve it. Mobilization and civil disobedience are not coordinated; there is no definite plan behind them. Furthermore, the problem is that while there is more agreement today than there was a year ago, there is still a long way to go for complete agreement and there is very little time before the key date of 1989.

In the meantime, acts of violence occur over and over and obstruct the political picture even more. While the country wants a democratic system in the future, that system must be reached within a framework of public order. On this point, the situation is far from being soothing or easy for the people or the government.

It was hoped that there would be news on the Canovas case by this week (although on other occasions, the same thing has been said). Nevertheless, there are two contradictory versions of the degree of progress on the case. One says that Canovas does not have conclusive proof in order to sort out those responsible and proceed to file charges, that the questioning of military men is for the purpose of investigating previous acts or the use of the Dicomcar headquarters on Calle Dieciocho, where those involved in the case are said to have been held.

The opposite version is that Canovas is ready to assess responsibility during the week, which could mean that charges could be filed very soon, and that the investigative work is also aimed at determining whether groups or institutions were involved.

It is said that if the rumors are well-founded, the case will cause a great stir in La Moneda [Executive Mansion], which continues to express the hope

that the case will soon be solved. To date, the Carabineros have said that there are no members of the institution involved, based on internal investigations, and that if there were, they would be the first to be turned over to the courts.

Consequently, certain sources do not discard the possibility that it is the government itself which, through an internal administrative investigation, could find the guilty parties. (There is in fact a report from the CNI [National Information Center] to Minister Canovas which, while it does supply some evidence, is not conclusive.) If rumors should have some foundation, it is said, it would be less costly for the government to turn over those responsible, before Canovas learns the names. If this path has not been followed, they say, it is perhaps because they did not believe that Canovas would go so far or because they are now paralyzed and cannot react.

Other sources suggest something different: that the government should bring suit against those responsible for the crime of terrorism and that it consequently become part of the process, a process that has already been underway for 4 months without any obvious results, but that, given the seriousness of the matter, could lead to unexpected blows.

#### Another Important Meeting

Another important meeting will be held this weekend near Santiago. According to what QUE PASA has learned, the international Catholic periodical COMUNIO, published by political scientist and Vatican adviser Fernando Moreno, is planning an important meeting on the document published by Cardinal Joseph Ratzinger: "Aspects of the Theology of Liberation." For the purpose of attending this private seminar, prominent intellectuals are already in the country, such as the expert on Marxism Father George Cottier, professor at the University of Geneva, and Father Jose Luis Illanes, dean of theology at the University of Navarra.

The seminar is also expected to be attended by important priests and intellectuals from Latin America, mainly Cardinal Alfonso Lopez Trujillo, archbishop of Medellin, considered to be one of the most important theologians at the present time. Studies of the topic will be presented at the seminar. The coordinator of the event is Carlos Martinez F., editor of COMUNIO.

11,464

CSO: 8148/0222

## MEASURES TO STRENGTHEN SMALL, MEDIUM BUSINESS ANNOUNCED

Santiago EL MERCURIO in Spanish 3 Nov 85 pp A-1, A-12

[Text] The Economy Ministry has disclosed the details of the Plan to Strengthen Small and Medium Business. In addition to a credit line of \$40 million (financed by the World Bank), the plan includes a series of incentives for businesses in this sector to reschedule their debts individually with banks.

According to background information furnished by the ministry, the purpose of the funding secured last October from the World Bank is to give small and medium business access to investment and working capital.

The credit line looks like this: \$36 million for loans, \$4 million of which will be for small businesses; \$15 million for medium-sized businesses; \$1.6 million for export promotion and \$400,000 for technological development; \$2 million for working capital and another \$2 million for technical aid and training.

The Economy Ministry emphasized that this credit line, which will be handled by CORFO [Production Development Corporation] and SERCOTEC [Technical Cooperation Service], would provide investment financing for many firms that have never had access to the banking system; would enable several industrialists to modernize their facilities and to boost output; would enable many facilities damaged by the earthquake to be rebuilt, and would provide ongoing and freely available working capital.

It will also help potential exporters to find external markets and to develop products to meet the needs of overseas consumers, and it will help other companies to incorporate the benefits of modern technology into their production.

### An Answer to the Debt Problem

Regarding the case-by-case approach that the government is pushing to resolve the domestic debt problem, the Economy Ministry reported that this approach would be tailored to the realities of this sector.

In this connection, it announced that a series of "ad hoc" incentives would be offered so that each small debtor in trouble could negotiate a final solution with his bank.

As an example, it mentioned that the Superintendency of Banks would ask each financial institution to draw up a program of action for its small business debtors.

This, the ministry added, will be complemented by a classification of reserves for debtors in accordance with the arrangements that institutions work out with small businesses that owe money.

"These and other initiatives that will soon be implemented will enable the case-by-case rescheduling to be effectively applied to small debtors," it noted.

### Exports

The Economy Ministry indicated that small and medium business is vital to the country's economic development, because it provides more jobs than other sectors, is a training ground for new businessmen and develops people's sense of property rights, factors that in the ministry's judgment are vital to individual progress and initiative.

It explained that in this connection the government has bolstered its policy of promoting small and medium business over the past 3 years, granting a larger role to SERCOTEC, a branch of CORFO.

As examples, it mentioned the special credit lines for medium-sized businesses and credit lines with subsidized interest rates that are complemented by technical assistance for small businessmen.

The ministry also emphasized that small and medium business must play a prominent role in generating greater savings and investment in the country, which will lead to the creation of new companies, an expansion of existing ones and, hence, more jobs.

In particular, small and medium business must take up the challenge of boosting exports. It was to this end that additional funding was secured from the World Bank and that SERCOTEC and PROCHILE [Institute for Export Promotion] have begun joint nationwide and regional programs to provide information and training to small and medium businessmen who would like to export.

### Other Measures

With regard to other existing support measures, the ministry mentioned the amendment to the training incentives law so that workers in and owners of small and medium businesses would be eligible for tax breaks.

In addition, the Small Businessmen's Guaranty Fund Law was recently amended to make it easier for small and medium business to obtain financing from the

banking system. The fund can now increase the amount of guaranteed loans from 1,500 to 5,000 UF's [unidad de fomento], and the fund itself has been expanded from 707,000 to 2.8 million UF's.

Moreover, in April of this year CORFO created the Small Business Investment Fund or the Venture Capital Fund. It will have \$4 million in initial capital, and its purpose will be to finance equity investment in companies that need additional capital to expand production or to set up new branches.

CORFO and the World Bank will contribute \$2 million each as a capital base for this fund. CORFO's share in these companies must always be temporary and no larger than 40 percent of their paid-in capital, and it must sell off its share within a reasonable period of time.

8743

CSO: 3348/185



STEEL, ELECTRIC EMPLOYEES BUYING COMPANY STOCKS

Santiago TERCERA DE LA HORA in Spanish 23 Oct 85 p 13

[Text] The employees of the Production Development Corporation (CORFO) have bought approximately 2 billion pesos worth of stocks in CORFO's subsidiaries, announced the minister vice-president of CORFO, Brig Gen Fernando Hormazabal, yesterday.

He stated that the workers of the Pacific Steel Company (CAP) have bought a total of 1.1 billion pesos in securities, and the employees of the Chilean Electrical Company, Ltd. (CHILECTRA) have also bought the securities sold by the company.

He pointed out that these transactions "are fully consistent with popular capitalism, since we want the workers eventually to become the full owners of state companies."

Brig Gen Hormazabal also indicated that about 300 million pesos in stocks have been sold on the Stock Exchange, though he admitted that the buying power on the Exchange "has been low."

AFP

As for the sale of AFP [expansion unknown] stocks, he stated that the plan is to sell 30 percent of the shares of those enterprises that have yielded profits, such as the Chilean Chemical and Mining Association (SOQUIMICH), CAP, ENAEX [expansion unknown], CHILMETRO [expansion unknown], CHILECTRA Generation, CHILECTRA Region V, National Electric Power, Inc. (ENDESA) and its subsidiaries, CTC [expansion unknown], Chilean Laboratories and the National Telecommunications Enterprise (ENTEL).

Brig Gen Hormazabal indicated that this year's goal is to sell stocks valued at some 10 billion pesos, and 20 billion in 1986. He added that over a 3-year period, the total is expected to be 48 billion pesos in stocks sold.

Commenting on the situation of public service rates, Brig Gen Hormazabal pointed out that the enterprises should yield profits commensurate with the investment in the service they provide.

He emphasized, however, that in no way can the enterprises which provide services obtain excessive profits, adding that this fact is known by potential buyers.

#### COPEC

He also termed "appropriate" the offer by the Angelini group to buy part of the shares of the Chilean Oil Company (COPEC).

Brig Gen Hormazabal indicated that the offer is contingent on an issuance that will enable the group to obtain 51 percent of the company's stock.

The official said that this is the highest bid submitted, and if the transaction takes place, COPEC's finances can be put in order. "Due to a variety of reason," he said, "that enterprise has been unable to carry out new projects, including the 'Celulosa Arauco' project."

He reported that CORFO is studying the offer, and will make a decision soon.

#### ECOM

Brig Gen Hormazabal also confirmed that in the negotiations with the workers of the Computation Enterprise (ECOM), it was agreed that 100 percent of the stock would be sold.

He indicated that the transaction will take place with approximately 100 persons, and the value of the stock sale will total 270 million pesos. Sixteen percent will have to be paid in cash, and the remainder will be paid over a 9-year term.

#### Mini Power Plants

The program formulated by CORFO for the 1986-88 period envisions the construction of 10 mini hydroelectric power plants.

According to the minister vice-president of that entity, these units will be installed in Regions X and XII for the purpose of providing various villages with a constant and secure supply of electricity at a reasonable cost.

8926

CSO: 3348/117

# CORFO HEAD EXPLAINS REASONS FOR SALE OF PARASTATE INDUSTRIES

Santiago TERCERA DE LA HORA in Spanish 20 Oct 85 Supplement pp 1-2

[Interview with Brig Gen Fernando Hormazabal Gajardo, executive vice-president of the the Production Development Corporation, by Paula Sutil S.; date, time and place not given]

[Text] He is undeniably the biggest boss in Chile.

Since December 1983, Brig Gen Fernando Hormazabal Gajardo has held the reins of the Production Development Corporation (CORFO).

As executive vice-president, with the rank of minister of state, he controls the most important enterprises in the country, including the Metropolitan, Region V and Generation subdivisions of the Chilean Electric Company, Ltd. (CHILECTRA), the National Telecommunications Enterprise (ENTEL), the Chilean Chemical and Mining Association (SOQUIMICH), the Telephone Company of Chile, Chilean Laboratories, ENAEX [expansion unknown], National Electric Power, Inc. (ENDESA), the Pacific Steel Company (CAP), and Telex Chile.

For this reason, when it was learned that CORFO would begin selling a major portion of the stock in each enterprise, although it would not lose its majority in any of them, there was concern in many sectors. The sale is taking place at a time when the national economy is such that many Chileans do not have enough money to buy this stock. Moreover, each enterprise is classified as strategic, and it provides services that only the government could supply to Chileans.

The executive vice-president indicates, however, that the sale of stock is a "consistent policy" because "CORFO's mission is to form enterprises and transfer them to the private sector or help private parties do so."

Because he is the "biggest boss," now he is going to become "the biggest seller in Chile."

[Question] What is CORFO, which is the Production Development Corporation, doing at this time in the way of promoting productive activity in the country?

[Answer] As you said, CORFO's mission is to promote all productive activities through its administrations. We have the Development Administration, which studies natural resources (defining all possibilities to the point of draft proposals), especially in those areas where we have comparative advantages. This effort is carried out with the institutes. CORFO also encourages production through credit facilities, which is the purpose of the Promotion Administration. I can tell you that for the first time in history, we are lending approximately \$45 million per year for the purpose of providing stronger support to many Chilean industrialists and businessmen who have been in trouble. CORFO also supports productive activity through its subsidiaries. We recently opened the Colbun-Machicura enterprise, which supplies electrical power. It must progress and expand production so that other businesses that require this power can be installed.

[Question] More than 4,000 loans have been extended for a total of \$131 million. What level of business is receiving this kind of financing?

[Answer] We initially operated with a credit from the Inter-American Development Bank (IADB) that was aimed at all levels of industry, the crafts sector, agriculture, and fishing. These funds have run out, and now we are about to begin new operations with a \$40 million loan we obtained from the World Bank. Added to the national contribution, this means we have a total of \$52 million. In late December or early January we will have new funds amounting to \$250 million, provided by the IADB and national resources.

[Question] Part of these loans have gone to the banking sector . . .

[Answer] No. In the loan we recently serviced, the IADB made an exception and authorized us to use it for working capital for Chilean businessmen. By law, we cannot refinance credits that businessmen have with banks. We do not support the banks.

[Question] How do you explain the fact that on the one hand CORFO is striving to promote the establishment of new businesses, while on the other hand it is selling part of the ones it has, especially those that are healthy?

[Answer] That policy is absolutely consistent. CORFO's mission is to create businesses and transfer them to the private sector, or make them private from the start and support them with credit and guarantees. According to this policy, the most we can do is hold minority shares in private firms. Once we have founded an enterprise, we must transfer it to that sector to attract resources and thus be able to create new enterprises. This is a clear policy that the entire government has followed.

[Question] At the beginning of this government, many state-owned enterprises were turned back over to the private sector. Private businessmen did not have much success, and the government had to take over these firms again to bring them back to health. Now it is privatizing them again. What is the idea?

[Answer] The government believes that many of these businesses failed for reasons beyond their control. In other words, we feel that many of these firms are efficient, and in no way do we want them to remain in state hands.

We have always thought that the private sector is the engine of development, and that the state should play a role of supporting this sector. That is why some enterprises that ended up in the hands of the groups and are still in state hands today should, within a well-defined time period, move back to the private sector.

[Question] What precautions are being taken this time to ensure that the same thing does not happen again?

[Answer] Serious measures are being taken to prevent it from happening. In the case of the sales we are transacting, there is an established obligation to decentralize.

For the AFPs [expansion unknown] to buy stocks in our enterprises, a certain amount of decentralization must take place. On the other hand, aiming at that same objective, we are offering shares in CORFO enterprises to the workers themselves, with very good results. In addition, small amounts are being sold on the Stock Exchange, and, well . . . other regulatory agencies in the economic sphere have taken other measures so that this kind of situation will not happen again.

[Question] Speaking of the AFPs, it is assumed that they must go through a process to buy stock in the CORFO enterprises. Will they have to pay the free value or the real value of these stocks?

[Answer] We are aware that we should sell the stocks at their real value. To keep the transaction above-board, we have hired private agents who specialize in selling securities, such as Bice Chile Consult and the Chilean Investment Company. For the time being, they will negotiate with the AFPs, considering a number of factors such as cash flows, profits and the security of the enterprises, . . . according to prices that are deemed realistic.

[Question] And is the Stock Exchange not involved in this?

[Answer] Another factor that is taken into consideration when determining a price is the value that is being asked on the Stock Exchange. In addition, the amendment of Decree 3500 sets forth a series of conditions that the enterprises must meet before the AFPs can buy them, including classifying. And to classify, they must be on a solid footing, having registered black ink in the last three annual reports.

[Question] You say that agents who specialize in selling securities will study the stock prices. Why can't the market determine those prices through the Stock Exchange, if in fact the stocks are being traded there now?

[Answer] Sure. At this time we are trading them there. We are selling small amounts at a minimal value. In fact, the buying power on the Stock Exchange is limited. For this reason, since the AFPs have a tremendous buying power, we feel that it is best to conduct a prior analysis.



[Question] Doesn't setting a price mean to a certain extent that the AFPs can end up having to pay too high a price, and therefore the funds of their affiliates would be affected?

[Answer] I think the AFPs will protect their affiliates' interests in the negotiations. We do not in any way intend to sell at too high a price. We are going to sell at a fair price.

[Question] Will the AFPs have a say in the management of these CORFO enterprises?

[Answer] The amendment of Decree 3500 grants the AFPs certain powers which the private parties that may be buying on the Stock Exchange do not have, with respect to the management of the CORFO enterprises. When 25 percent or more of each enterprise has been transferred, the vote of 50 percent of that 25 percent (12.5 percent) will be enough to have a say in the investment and production plans of the CORFO enterprises.

[Question] Given the current economic situation, where will private investors get the resources to buy stock in state enterprises?

[Answer] Well . . . I was telling you before that there are limited possibilities on the Stock Exchange. We are selling 2.5 percent a year of each company. That is a tiny amount, because there is no buying power. Some private party or some foreign capital could come along at the right time and offer to buy a considerable part of a company . . . but what we are seeing on the Stock Exchange is that there is little buying power.

[Question] Are you telling me that foreign capital could buy stock in these state enterprises?

[Answer] Within the limits we have established for selling. They could not obtain a majority.

As you know, at the beginning of this government, the Corporation had a large number of firms that it sold to the private sector. Almost all of them were sold. Today, we are transferring the Computation Enterprise (ECOM), among others, to the workers themselves, and we are being quite successful.

The government has decided that some small companies which have fallen into our hands temporarily because they have gone bankrupt and no private parties are interested in them, should continue to operate and take responsibility for the debt. These companies will also be sold to the private sector.

The other enterprises, which were defined as strategic because they provide a public service or are subsidized, are the ones that have remained in state hands.

[Question] Why has the position on the strategic enterprises changed?

[Answer] Well, because that does not contradict the first objective: As long as we sell only a minority share, the companies are still under state control.



[Question] Some say that the need to privatize these "strategic" enterprises has arisen because of the lack of resources in the national economy.

[Answer] That is one reason. But I would say that it is not the fundamental reason. In fact, the amount of funds that will be obtained this way is not so significant. This year we have set a goal of obtaining 10 billion pesos, and we have not yet started with the AFPs. Next year our goal will be 20 billion pesos. The primary objective is that for a variety of reasons, mixed ownership of these enterprises is considered a good idea.

[Question] What are those reasons?

[Answer] Perhaps the most important is that in other governments, there was too much political manipulation of these enterprises, which translated into rates set too far below costs. The result was a difficult situation for the enterprises, with the consequent instability for the workers.

We think that with mixed ownership, as can be seen already in some enterprises where we have some private shareholders, the private owners refuse to agree with setting rates below costs. That is entirely logical, and they are right. In the future, we cannot have the state making up the difference with subsidies. This has been the government's policy from the beginning, and I think it is healthy. The government has asked us not to transfer the Maritime Transport Enterprise, "Transmarchilay," (which I consider a "service" enterprise) to the private sector exclusively, because it does set its freight rate below costs.

[Question] And how does the government manage things there?

[Answer] The government pays the difference to the enterprise that manages it; otherwise, it would go bankrupt. And to strengthen the policy even further, preventing the company from becoming accustomed to receiving a higher subsidy than it deserves, the government holds bidding for that subsidy. The company that asks for the least government support, while maintaining rates, is the one that provides the service. Thus, Transmarchilay has won every year, and we are certain that the subsidy we give it is the minimum necessary.

[Question] You have told me that the private sector is interested in profits. What will happen to CHILECTRA and . . .?

[Answer] They will receive the maximum profit, and CORFO a reasonable profit.

[Question] Does this mean that service rates will continue to rise?

[Answer] The private minority shareholders would have to prove to us that the rates are too low, but they could not force us to set rates that would yield excessive profits; that is why we are going to control the majority. They can object, but they cannot force us to do anything, so we will remain in control.

The controversial issue of public service rates will be decided by the Economy Ministry, not the owner of the enterprises (which is the government), through

CORFO. If CORFO had to set the rates, it could be alleged that it could be biased and raise them higher than necessary. That is why a regulatory and supervisory agency, the Economy Ministry, has been designated to make such decisions. You know that Minister Delano decreed a revision of telephone rates . . .

[Question] Moreover, Minister Delano gave rise to expectations that rates would actually drop . . .

[Answer] Minister Delano had a study done, and the study concluded that there were no abuses in the overall collections of the company. But Minister Delano did discover some distortions, and he saw a way to help the consumer without harming the enterprises. In fact, telephone rates stayed the same. I would say that the company's profit rate is just normal, not at all above normal. For this reason, the rates could not be lowered, but a different schedule could be put out that would not affect overall collections. The study was good; it yielded positive results, and I was satisfied. It was actually proven that there were no abuses in collections.

[Question] Nevertheless, there are still complaints that the rates are too high . . .

[Answer] We are in fact aware that rates can come down as we improve efficiency. We are working on that, because that is another way to promote productive development. We are talking about the power companies where we are aware of how expensive rates are in this country, especially in the north. But that is what it costs us to produce power today. And as I said earlier, we cannot charge rates that are below costs, unless the government decides tomorrow to lower rates and subsidize, but . . .

[Question] Would that be a decision we could call political?

[Answer] Yes. But the government has never considered that an appropriate alternative, and it takes that step only in very specific and critical cases. In the northern part of this country, people complain that energy is extremely costly . . . And so it is, because it is oil-based energy. Now we are turning to coal, and later we intend to install one or two small hydroelectric plants, which are more economical. Now they want a subsidy. And what would a subsidy mean? It would mean that all Chileans would pay for it. We think that such a system is not very wise, because every product should reach the consumer at its real cost.

[Question] You have indicated that it is not fair for all Chileans to pay. But when companies go bankrupt, the ones who pay are indeed all Chileans: Moya. What assurance do we have that we will not face the same situation with the sale of the state-owned enterprises?

[Answer] Well, because of the precautions that have been taken. In addition, the government sought to keep losses to a minimum, and chose the solution that would entail the least sacrifice. The loss on their part was already a fact, and there was no better solution. But I reiterate that precautions have been taken. If you ask me, as the Production Development Corporation, I can tell

you that whatever we sell and the loans we extend come with good guarantees. For example, we appraise a loan to buy a company at 80 percent, meaning that we do so at a 20 percent loss.

[Question] Excuse me for asking again, but where are private investors going to get the money to buy into companies if the government does not give it to them?

[Answer] Well, we hope that . . . foreign capital will come in. You are asking me a question about an area over which I have no control. As a matter of fact, a formula has even been devised to permit the creditors themselves to capitalize some companies, if they are group companies. I cannot give you an overall policy to achieve a total solution. The best formula is being sought on a case-by-case basis.

[Question] And who will guarantee these foreign investors that these enterprises will not be nationalized, in an uncertain political future?

[Answer] I think that mixed ownership on the basis of minority stock does not pose a risk, and actually, each case will have to be studied individually. Foreign investors require a series of regulations to protect them against that risk.

[Question] A report issued by the Secretariat of the Presidency defends the expansion of the CORFO staff by 284 positions because of the Corporation's increased activity, the CORFO plant. CORFO is currently authorized to employ 377 persons . . .

[Answer] CORFO must regularize the situation of a number of people for whom we have had to ask for support. Specifically, we must hire more evaluators, because a large number of good projects are coming in that have to wait due to the shortage of professionals. The Inter-American Development Bank (IADB) has made the new loan contingent on our hiring the appropriate number of professionals. It refers to the number, not the quality, because the quality is already excellent. On the other hand, the General Comptroller's Office of the Republic requires that we monitor and conduct an internal audit of all subsidiary enterprises. The officials you mentioned belong to subsidiaries that are carrying out activities for us.

[Question] In June 1985 CORFO paid out 30 million pesos for a pilot project of microenterprises for the Employment Program for Heads of Household (POJH). What was the result of that 3-month plan?

[Answer] In fact, the information I have is that it has yielded quite good results. Col Jara, who is in charge of that, has urged me to continue supporting it.

[Question] The opposition sectors point out that the companies that CORFO privatized at the beginning of the regime would have been "sound" today . . .

[Answer] I would say that that is likely. Some firms were quite efficient but got into difficulties because resources were sucked out of them to be used for activities they had nothing to do with.

[Question] Is that the risk that is, to a certain extent, hidden?

[Answer] It is hidden. That is why the banks are complaining now that the Superintendency is controlling them too much . . .

[Question] And that it is even classifying them as bad risks . . .

[Answer] That is right. Not too long ago, someone asked me what was the reason behind that excessive control. My reply was just that: to prevent the same thing from happening again.

[Question] Some think that the government is losing its assets by selling part of the strategic enterprises.

[Answer] The resources will not leave the government. No private party is going to take them home. Instead of having a 30 percent share of the stock, we will have 70 percent in capital, which will not be taken from the government. This does not mean a reduction of the enterprises' assets; the government will use them in new productive activities, to create new industries, or finally, to help the private sector continue to develop by giving it loans.

[Question] And with these new resources, will the government develop firms that will compete with private monopolies?

[Answer] A company that has a monopoly in a sector cannot oppose the development of another company, as long as the resources are there. The government has developed a forestation plan for the purpose of encouraging the formation of businesses in this sector. Cellulose production is one example. CORFO will be glad to support these projects if they are good.

[Question] Why is CORFO selling 14.3 percent of the capital stock of the Chilean Oil Company (COPEC) at this time, when no one knows who will be the future owners of COPEC?

[Answer] That is an excellent firm, and with regard to the new owners, that is not an important issue. The situation will become clearer soon.

As of press time, we were trying to find out the results of the bidding on CORFO's COPEC stocks, but it was impossible. Nevertheless, we did learn that the Angelini-Grace Group submitted a bid to buy 14.3 percent of COPEC's capital stock for \$25 a share. The bid also required a new issuance so that Angelini-Grace could become a majority shareholder.

8926

CSO: 3348/117

## MINISTRY PRESENTS STRATEGY TO SURMOUNT COPPER CRISIS

Santiago EL MERCURIO in Spanish 3 Nov 85 pp B-1, B-2

[Text] The serious worsening of the country's terms of trade in recent years (that is to say, what we receive for our exports and what we pay for our imports) is clearly reflected in the ratio between copper, our main export, and oil, our main import.

In 1973, 3.4 pounds of copper were needed to buy a barrel of oil. By 1984, we had to sell 45 pounds of copper to purchase the same barrel. It bears noting that in 1973 the average price of copper was \$1.84 per pound, while last year it averaged 61.8 cents (both in constant dollars). As of the first half of this year, the average price stood at 64.6 cents on the dollar per pound.

In a recent lecture at the International Studies Institute of the University of Chile, Mining Minister Samuel Lira discussed the causes of the steady drop in copper prices, the prevailing situation in the industry and on the market, and our country's long-range copper strategy.

In his address Minister Lira explained the structural changes that have taken place on the copper market and that have led to a sharp drop in prices. Among them he cited the post-World War II decline from the high level of concentration and vertical integration that had characterized the world copper industry since the turn of the century. In 1948, the five largest companies controlled about 60 percent of industry output. Four of them were American, Anaconda, Kennecott, Phelps Dodge and Amax. Twelve years later, the five largest companies at the time accounted for just half of industry output, and the figure had fallen to around 40 percent by 1981.

Another major change has been the gradual penetration of substitutes, mainly aluminum, into traditional areas of copper use. In addition, the degree of vertical integration in the copper industry has declined, often as a result of nationalizations, and thus production has become divorced from the stages of further processing.

## Consumption Patterns

The growth rates of consumption in recent decades "are unquestionably worrisome," Minister Lira indicated in his speech. While consumption has



risen by 1.6 percent a year over the past 10 years (1974-1984), the annual averages during the previous 2 decades (1954-1964 and 1964-1974) were 6 and 3.3 percent respectively. In other words, consumption has increased over the past decade at a rate that is half or less than half of the growth rate in previous decades."

Among the reasons for the decline in demand, the minister pointed to "the sluggish growth of the world economy, the major decline in the intensity of copper use (particularly in the developed economies), the replacement of copper by aluminum, plastics and fiber optics, and the use of wireless communication. One last reason for the drop in copper demand is miniaturization."

Based on this picture, "analysts agree that the outlook for consumption is not optimistic, inasmuch as they feel that the same factors that have dampened copper use in recent years will remain in place. According to various projections, the likely growth rates of world copper consumption are about 2 percent a year over the next 15 years."

#### The Long Term

Chile is the world's leading producer and exporter of copper today. The country has between 25 and 30 percent of the world's copper reserves. From 1921 to 1981 it was, without interruption, the world's third leading producer, after the United States and the Soviet Union, and since 1982 has held the top spot with an average yearly output of over 1.2 million metric tons.

Minister Lira underscored in his address that "it behooves a producer like Chile, which has low production costs and large reserves, to maintain its current level of production and to look into and develop profitable projects that will enable it to meet the expected increases in future world copper demand."

He added that "the rationale for a strategy like this is the high private and social profitability of many projects in the large state-owned mining companies and of certain foreign-investment projects." The minister said that there are no grounds for the claim by certain circles that the country ought to cut back its production and postpone the start-up of its most promising projects.

The second major line of long-range action is "the need to maintain and boost the country's competitiveness on the world market." The minister emphasized that a key factor in Chile's consolidation as the world's number one producer has been its ability to produce at very low costs, mainly because of the rise in its production efficiency.

The average cost in the large copper mining companies was 83.7 cents on the dollar per pound in 1974, dropping to 40.4 cents in 1984 (in 1984 dollars). Contributing factors in this decline have been fuel savings from the replacement of oil by coal, higher labor productivity, and expansions and modernizations in processes and equipment.

The third major policy for Chile's copper industry is to boost demand. This can be achieved by further rationalizing and coordinating production and investment in the worldwide industry and by making it clearly known that Chile intends to be "a reliable, prompt and relatively stable supplier in terms of delivery times, product quality and continuity of output and sales."

A second way of boosting copper demand is to develop and promote new uses for the metal. This has been one of the weakest points in producer strategies.

Lastly, Lira indicated that "surmounting the depression and structural instability on the copper market requires broader cooperation among producers, including, in addition to the CIPEC [Intergovernmental Council of Copper Exporting Countries] nations, other major copper producers and consumers."

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CSO: 3348/185

CURRENT PETROLEUM SITUATION, HISTORIC DEVELOPMENT

Buenos Aires ENERGIA 2001 in Spanish Oct 85 pp 30-33

[Article by Eugenio B. Viloni]

[Text] This report by Dr. Eugenio B. Viloni, marks the beginning of our coverage in Colombia, which is part of the overall plan of an opening to all of Latin America. The main events in Colombia's oil history include the discovery of a major field at Cano Limon, near the Venezuelan border, which means the incorporation of 200 million m<sup>3</sup> of crude oil reserves, a reliable supply and eventual exports of 150,000 barrels a day. Second, one must mention the startup of an ambitious plan of secondary recovery at the old middle Magdalena deposits, with an investment of \$400 million.

At a seminar on the energy sector scheduled by the Ministry of Mining and Energy in Tenza, Boyaca, the president of ECOPETROL [Colombian Petroleum Enterprise], Alfredo Carvajal Sinisterra, announced that the Cano Limon oil field in Arauca has reserves of 1.3 billion barrels -- over 200 million m<sup>3</sup>. It is high-quality crude of between 29° to 32° API, making it the most important discovery ever made in Colombia.

From this volume of oil, the national enterprise deems that in the primary production phase, some 600 million barrels could be extracted, a little over 46 percent of the total given.

The area is part of the Cravo Norte partnership contract on the Venezuelan border (see map below), between Occidental and ECOPETROL.

Maximum production projected is 200,000 barrels a day starting in 1987, once the pipeline from Cano Limon to the port of Covenas on the Caribbean goes into operation.

Starting in 1986, there are plans to produce 60,000 barrels a day, meaning that Colombia will regain self-sufficiency.

The total investment programmed to develop the deposit is some \$3.4 billion, borne equally by Occidental and ECOPETROL. In 1985-1986 alone, \$1.8 billion

will be invested, 50 percent of which will go to national contractors, which presumes a heavy participation of Colombian technology and work.

Once the deposit is in full production and an adequate transportation infrastructure is in place, Colombia will be able to export 150,000 barrels of crude a day. To give an idea of what this means for the country, one should recall that at the present time, it produces 70,000 barrels a day and imports some 40,000 barrels.

At current prices, oil of the type found in the Cano Limon area is worth between \$27 and \$28 a barrel, while the heavier crude which the country produces brings \$24 on the international market. Naturally, this will be one of the fundamental factors to take into account when it is decided what type of oil should be exported. According to statements by the Ministry of Mines and Energy, it will be "the type most in keeping with national interests."

By way of royalties, the Arauca intendancy will receive some 7 million pesos a year when the field goes into full production, according to ECOPETROL estimates. Based on the current rate of exchange (139 to the dollar) and the values of 170 which it is estimated the American currency will have by the end of the year and 210 by the end of 1986, the royalties would amount to \$33.1 million.

Another event of prime importance for the future of Colombian oil occurred in the first week of June of this year, when the reversion of the old Yondo concession transferred Shell Condor to ECOPETROL. The concession is on the Middle Magdalena, across from Barrancabermeja, which is ECOPETROL's largest production center. It includes the Casabe deposit, which since 1974 has been operated by the national company, which that year paid \$3.5 million for all the shares of Shell Condor, owner of the area up to that time. Although the operation has been going for 11 years, it was only made formal recently, when the 40-year period of the concession expired.

The most important thing in this case is that at the Casabe field, ECOPETROL began a program of secondary recovery on 28 June involving the injection of water. Based on estimates, another 71 million barrels of crude rated 19° API will be recovered in 16 years (this figure must be added to the 217 million barrels accumulated so far).

At the present time, this deposit, discovered in 1941, is producing some 3,100 barrels a day, a figure that should increase to 16,000 by the end of 1985 and 26,000 barrels a day by 1987.

The investment, estimated at \$400 million, will have \$70 million from the World Bank, \$60 million from suppliers' credits and the rest from ECOPETROL resources. The enterprise estimates that once the operation is in full swing, the return will take 3 years.

The project was approved by ECOPETROL in 1983 and since that time, drilling programs using the injection of water have been followed. To date, 225 of the planned 533 have been completed, 500 of these being for the injection of water

and 33 for the production of crude. In addition, another 324 wells already in existence will be rehabilitated. When the project is in full operation, 300,000 barrels of fresh water will be injected a day and production will be 240,000 barrels, 40,000 of these of crude. According to ECOPETROL studies, there will be four injection wells for each production well. The water used, which will later be recovered with the oil, will go through special chemical treatment before being dumped into the Magdalena.

The process of injection, extraction, separation of the oil from the water and the treatment of waste water means that the investments will be very large and the equipment to be utilized among the most sophisticated in the world.

The nine electric pumps will cost over \$5 million. There will be 15 enormous pools for the treatment of salt water resulting from the extraction. The machinery required will be operated with electric power coming from an 18.5-megawatt substation.

#### Long History of Colombian Oil 1905-1985

The history of the Colombian petroleum industry began in 1905 with the De Mare concession on the middle of the Magdalena River, near the city of Barrancabermeja. The first discovery was made by the Tropical Oil Company, subsidiary of Exxon, in 1918, which found what for many years was the most productive area in the country.

In 1921, the Infanta deposit was incorporated and remained in production until 1984, with a daily extraction of 300 m<sup>3</sup>/day. El Cira, discovered in 1925, continues to produce 1,500 m<sup>3</sup>/day, with an accumulated total of 74 million m<sup>3</sup>.

In 1930, the Barco deposit began to produce, with two areas of special significance: Petrolera and Carbonera, near the Venezuelan border. The productive formations in this basin are considered as an extension of Lake Maracaibo, so that it was not surprising that in 1945, the Tibu field was incorporated and is still producing 700 m<sup>3</sup>/day.

In 1943, exploration of the lower basin of the Magdalena provided greater success with the discovery of the El Dificil deposit, which supplies gas to Barranquilla, and the Tablan deposit, which provides gas to Cartagena. In the northern Magdalena basin, Texaco has the Velazquez and Palagua fields, which continue to produce about 1,500 m<sup>3</sup>/day.

In 1963, a new oil province was incorporated with the discovery of the Orito deposit, near the border with Ecuador. This includes the fields of Loro, San Miguel, Sucumblos, San Antonio and Churuyaco. Production began in 1969 with the construction of a pipeline through the Andes Mountains. The area has reserves of an estimated 40 million m<sup>3</sup>, of which 25 million have already been extracted. In 1984, daily production was 2,000 m<sup>3</sup>.

In 1966, Chevron discovered a deposit in the Zulia River area with a production of 6,000 m<sup>3</sup>/day, which has now declined to 500 m<sup>3</sup>/day.



By way of summary, it can be said that the Magdalena deposits, especially those in the middle section, are being exhausted, since 80 percent of the oil in situ has been extracted. The future of the area therefore depends exclusively on the success of the secondary recovery project that ECOPETROL launched in June, as we have already reported.

#### Recent Years

In 1970, Colombia reached its highest oil production in history with 38,000 m<sup>3</sup> a day. From that time on, a steady decline could be observed, reaching 20,000 m<sup>3</sup>/day in 1980. At that point, ECOPETROL thought that reserves had dwindled to 90 million m<sup>3</sup>.

This substantial drop resulted from flaws in the strategy of exploration since out of the 11 sedimentary basins covering half of the country's territory, only 4 had been intensely prospected.

By 1984, only 1,170 exploratory wells had been drilled and most of them were in the Magdalena River valleys.

At the present time, the center of attention is in the Eastern Plains in the central region of Colombia, from the Andes Mountains to the Venezuelan border.

Actually, the first well drilled in the zone was by Shell in 1944, with negative results. The area was thus ruled out, based on the argument of its distance from centers of consumption. In 1969, Chevron made the first commercial discovery with the Castilla field, with reserves of 15 million m<sup>3</sup> of heavy crude. That was the date which discouraged exploration in the area, so that in the period from 1969 to 1984, only 70 exploratory wells were drilled in the extremely large sedimentary basin.

The shift occurred after the success of ELF-Aquitaine [Gasoline and Lubricants Company of France], with the discovery of the Trinidad field in 1974, which was later confirmed by the Casanare find in 1979. In 1983, production began at Trinidad, Cano Garza Tocaria and Barquerena, with a daily production of 3,000 m<sup>3</sup>.

In 1980, Exxon found the Saravena field near the city of Arauca on the Venezuelan border and southwest of the Barco deposit. Initial production was estimated at 300 m<sup>3</sup> a day, but unfortunately, the successive drilling -- the deepest in Colombia, reaching 6,100 meters in some cases -- did not confirm the importance of the discovery.

As we said at the beginning of the article, the most significant discovery in Colombia's oil history was made by Occidental Petroleum, which began its explorations in 1981 and 1 year later discovered the Cano Limon field 90 km from Saravena, where it has already drilled three wells with a daily production of 1,500 m<sup>3</sup> each. It is crude oil with a rating of 33° API and reserves exceed 200 million m<sup>3</sup>.

After this success of Occidental, in June 1984, ELF-Aquitaine and Houston Oil found the Morichal deposits with production of 200 m<sup>3</sup>/day in the southern region of the Eastern Plains. On the upper Hagdalena, Tenneco found an area in Huila (Huato 1), where together with ECOPETROL, it extracts some 200 m<sup>3</sup>/day. The Irish Eglinton Oil also discovered a production zone in San Sebastian 110 km from Cartagena, still not quantified.

The next step for Colombian oil will be offshore exploration. Hydrocarbons are known to be present in the Ballena, Riochacha and Chuchupa fields. An aggressive offshore exploration program will be carried out by Chevron and ECOPETROL.

#### ECOPETROL and Contracts

Since the beginning of oil operations, Colombia has concluded 160 contracts with international companies. In December 1983, there were 19 contracts in operation and that figure reached 55 in 1984. Among the companies most active are Exxon, Occidental, ELF-Aquitaine, Chevron, Union Oil, Penzoil, Triton, Colcitco, Tower Bridge and Leed.

The increase in private activity has been reflected in the number of exploratory wells, which went from 18 in 1982 to 36 in 1983 and 60 in 1984. Colombian contracts provide for a period of up to 6 years of exploration, with the requirement of drilling 2 wells (in the fifth and sixth years). If a discovery should be made and it is commercial in nature, then ECOPETROL joins with the explorer and pays 50 percent of the cost of exploration. Of production, 20 percent goes to the government as royalties, while the rest is divided into equal parts between the contractor and ECOPETROL.

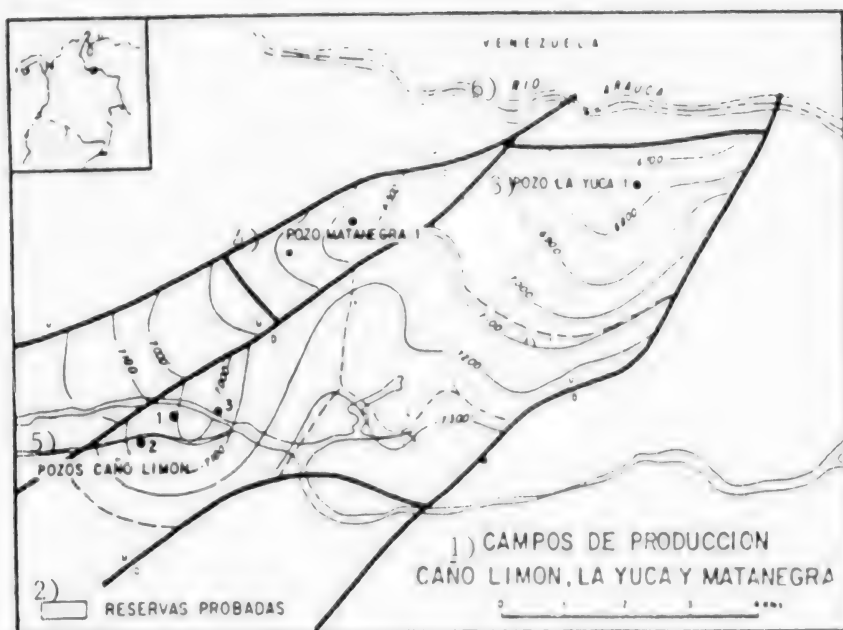
The national company has a short history, being founded in 1951 when it took over administration of the De Mare deposit, now in the hands of Tropical Oil. It has a daily production to administer of 15,000 m<sup>3</sup>, from the De Mare, Barco, Casanare and Putumayo basins. For 1989, its programs anticipate a daily production of no less than 25,000 m<sup>3</sup> to administer.

The country has a refining capacity on the order of 35,000 m<sup>3</sup>/day and it uses 90 percent of the installed capacity of the four refineries in operation (two of them large-scale).

#### Biographical Information

Eugenio B. Viloni graduated with the degree of doctor of natural sciences, majoring in geology, from the University of Buenos Aires in 1947. He worked as a geologist for the YPF [Government Oil Deposits] from 1948 to 1954. From 1954 to 1957, he worked in the United States for the National Geophysical Company and the GSI. From 1957 to 1978, he served the Tenneco Oil Company at various international posts in his area of specialization. He returned to Argentina, where he was a geological consultant and manager of exploration for Petrolera Argentina San Jorge and Pluspetrol. At the present time, he is general manager of Triton Colombia, Inc., with headquarters in Bogota.

# Arauca Oil Field



## Key:

1. Cano Limon, La Yuca and Matanegra Production Fields
2. Proven reserves
3. La Yuca well
4. Matanegra 1 well
5. Cano Limon wells
6. Arauca River

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CSO: 8148/0296

## PROPOSED METHANOL PLANT EXPECTED TO PRODUCE PROFITS

Santiago EL MERCURIO in Spanish 6 Nov 85 p C-6

[Text] Chile will receive nearly \$2.7 billion in revenue during the first 20 years of operation of the methanol plant being built at the Strait of Magellan by the international company Signal, Inc., which is supplying 85 percent of the capital.

The rest comes from Chilean private investors.

The figure to be received by the foreign firm would reportedly amount to \$800 million. The methanol plant will be located at Cabo Negro at the Strait of Magellan some 30 kilometers from Punta Arenas.

This information was released by the assistant manager of development of the National Petroleum Enterprise, Miguel Durney, who spoke at a conference on the "Use of Natural Gas From Magellan in Industrial Projects." His talk was given at a seminar on chemical engineering within the framework of a series organized by the School of Physical Sciences and Mathematics of the University of Chile.

Durney said that certain aspects of the contract are still under review, but that the study should be concluded in the days ahead. He added that this constituted no obstacle and that work on installation of the plant has already been initiated. It is hoped that the first construction of any scale will take place in January.

Explaining the way in which Chile will obtain the income, Durney said that \$900 million would be in the form of taxes to be paid by the firm and \$1.8 billion from the direct sale of gas, mainly to foreign countries.

The plant will provide jobs for some 200 professionals directly, most of whom will be foreigners in the early stages.

### Investment and Demand

The project involves a total investment of nearly \$400 million, \$40 million of which will be contributed by the National Petroleum Enterprise, which will have to build a 185-kilometer-long pipeline. The pipeline is necessary to deliver the gas to industry, which will process the methanol.

Demand for this product, Durney explained, is rising and it is anticipated that that by the year 2000, consumption will double, reaching 1 million metric tons.

Its use is increasingly connected with the replacement of benzine, with an accompanying improvement in octane readings and a drop in the percentage of lead, a highly polluting element. Whence the growing interest in the product.

With respect to the advantages that finally caused foreign investors to invest in the methanol plant, he said that they were directly related to the low cost of the raw product and the infrastructure required by Signal. Access of both factors is facilitated by the nearness of the industry to the city of Punta Arenas.

#### Gas in Valdivia

Durney also emphasized that the fact that the gas from Magellan was being worked does not mean that it was the only area that had the product. In fact, he said, different research has been done throughout the national territory, even with drilling on the continental shelf.

According to data obtained, there are reportedly gas reserves in a few small oceanic zones: some 20 kilometers from Valdivia, on Mocha Island and also off the coast of Temuco.

He said that efforts aimed at finding new areas of development have even included the area of Osorno and the Pampa of Tamarugal.

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CSO: 3348/171



GOVERNMENT PROPOSES MEASURES TO ENHANCE AGRICULTURAL SECTOR

Santiago EL MERCURIO in Spanish 31 Oct 85 pp A-1, C-2

[Text] Yesterday, President Augusto Pinochet officially opened the International Livestock Exhibition and Fair of Santiago, FISA '85, a traditional event organized by the National Agricultural Association (SNA), which will run until 10 November.

On that occasion, the chief of state also signed an order establishing the foundations of a national rural housing policy.

At the same ceremony, Minister of Agriculture Jorge Prado announced that the coming harvest season will result in a positive agricultural trade balance of \$650 million, wheat production amounting to 14 million quintals, supplying over 80 percent of the national consumer needs, and fruit exports totaling 62 million crates.

These positive announcements are joined by the promulgation of the new irrigation law and the study, now in the hands of the Government Junta, of a project return 10 percent of the liquid assets for products exported.

All of these factors seemed to back the president of the SNA, Manuel Valdes, who, in speaking at the FISA, maintained that farmers have regained their confidence and are working in a climate of stability.

The opening ceremony of the international exhibition took place at the National Agricultural Association's Congress Center located at Parque Cerrillos in the capital. It was attended by the nation's First Lady, Lucia Hiriart de Pinochet, the members of the Government Junta, other ministers, representatives of the diplomatic corps and the private business sector.

At the close of the ceremony, the president and other officials toured the various pavilions and stands at the fair for several hours. The 335,000-square-meter area accommodates 20 countries, including Chile, 1,954 national and foreign exhibitors and capital goods and consumer products worth \$72 million.

Speech by Prado

Minister Jorge Prado emphasized the benefits of the new irrigation law, published yesterday in the DIARIO OFICIAL, noting that "the planting begun on

11 September 1973, with the reaffirmation of the right of property, has led us to harvests that are more abundant each year."

Prado then reviewed the 1984-1985 season, outlining its main accomplishments: the export of agricultural and forestry products worth over \$900 million; supplying all national consumer needs for rice, corn, poultry, eggs, potatoes, produce, swine and sheep; supplying over 90 percent of all milk, red meat and sugar consumed; meeting 70 percent of all wheat needs and over 20 percent of fats and oils; a favorable trade balance in the sector of \$560 million; employment for over 400,000 persons, with an unemployment rate of under 5 percent, the lowest of all national activities.

#### Excellent Prospects

He also said that the harvests that will begin in a few weeks "promise even better results than those of the past season." He quoted the following indicators: fruit exports of over 62 million crates; an estimated production of 14 million quintals of wheat, enough to supply over 80 percent of all national consumption; production of 60 percent of all national needs for fats and oils, with a planted area of 85,000 hectares; a positive trade balance in the sector of \$650 million for 1986.

He estimated that there may even be surplus production, as a result of which he said that the use of advanced technology must be intensified in labor so as to reduce costs and compete on international markets.

"The yields we are obtaining in oil-producing crops and corn give us the possibility, with a small effort on our part, of exporting oil, corn and fowl," he said.

He also maintained that there must be a diversification of production, orienting it toward exports, and an intensification of the establishment of agro-industries.

"The government is adopting the necessary measures in order to provide incentives to producers and exporters. The Government Junta now has before it a bill establishing the restitution of 10 percent of all liquid returns, based on the FOB value, for all products exported and which, in 1983 and 1984, show shipments of up to \$2.5 million. The provision will be applied to volumes exported of up to \$7.5 million per category," he said.

Prado added that over 90 percent of all exportable products in the sector are in a position to be covered by the provisions of the study.

He admitted, however, that "not all the problems affecting agriculture have been solved" and that "the category suffering the greatest deterioration, without any doubt, is grapes and viticulture."

He explained that the government's position on this matter is that wine production must be suited to domestic demand (58-percent drop in the last 50 years) or seek better possibilities of export. "Any kind of artificial intervention

would only aggravate the problem and delay the adjustments which it is impossible to avoid," he noted.

He emphasized certain points established by the law on alcohol, recently passed, especially the minimum gradation of 11.5, which "practically renders wine making from table grapes impossible, for they cannot supply that alcoholic level." He recalled that next year, Chile will host a World Wine Congress.

Regarding achievements of social development in the rural sector, he mentioned the construction of over 6,000 housing units, financed through housing subsidies in the past 2 years, and the delivery of materials in order to solve housing problems of 8,200 families hit by the 3 March earthquake.

Finally, he appealed to "rural men and women to make the maximum effort, today more than ever, working for the development of our nation, turning a deaf ear to those who would lead them into unconstitutional adventures altering stability and social peace."

#### Rural Housing Policy

The national rural housing policy, the order states, will make it possible to develop housing programs in towns and rural areas and strengthen rural areas, while providing work for small and medium-size construction companies that engage in their activity in their own geographical area, with the resulting impact this represents.

The order stipulates that this policy will concentrate its attention on lower-income sectors of the population, whom it seeks to make homeowners, first of all clearing titles when necessary. Housing acquired with government aid will basically be financed with the familiar effort of advance savings, complemented by the housing subsidy for rural housing. In addition, beneficiaries may take out additional mortgages with financial institutions.

As a general principle, the goal is to tend to strengthen the policy of regionalization postulated by the government, seeking to keep families in the area and environment in which they now live, "which will in turn inhibit the country-to-city migratory trend and thus prevent the negative effects which such migrations cause when they are uncontrolled and disorganized."

#### Manuel Valdes

For his part, the president of the SNA, Manuel Valdes, emphasized the high technical level of the International Livestock Exhibition and Fair. He said that farmers have regained their confidence and are working in a climate of stability, which is a cause and effects of agricultural and forestry accomplishments in recent years.

He pointed to increases in employment (7.5 percent compared with 1984), the gross geographic product for agriculture and forestry (8 percent over 1984) and the agricultural trade balance (surplus of \$550 million in 1985).

"Fortunately, the authorities have understood and shown the importance of laying out a path and sticking to it for the period stated, which encourages us to produce and invest with increasing confidence," he said.

Two problems face the sector, in his opinion: the debt and the situation of viticulture. He said that the former involves thousands of farmers, "most of them small and medium-size operators" whom he called viable.

"No one is asking not to pay," he said. "What they want is to have the possibility of doing it with terms, interest and readjustment possibilities in keeping with the returns of the farmer in eebt."

Concerning viticulture, he said that the law on alcohol is not enough to revive the activity. He added that the SNA must therefore design the foundations of a policy tracing the future of that activity, "once the pride of our nation."

Concerning exports, he said: "The figures must not deceive us. We have exported more, but at lower unit prices."

He maintained that the step taken with the new irrigation law "reveals a far-reaching political decision and that it must constitute a historic step for agriculture."

Valdes noted that "the agricultural and forestry sector will be the great mainstay of stable development and revival through which, along with other factors, the rest of the areas producing goods and services will begin to regain the rate of economic development to which they and the country legitimately aspire."

Touching upon another topic, he said that "one basic element of social peace consists of promoting rural development, an unavoidable requirement if we want to save Santiago." In that sense, he expressed his satisfaction over the promulgation of the order on the national rural housing policy, which President Pinochet signed only a few minutes later.

Finally, he asked "our friends visiting us from all regions and continents to send the message that we have confidence in Chile."

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CSO: 3348/171

## BRIEFS

UNEMPLOYMENT REGISTERS SLIGHT INCREASE--The national unemployment rate for the July-September quarter of this year was 13.6 percent, according to Hector Kappes, head of the Department of Labor Statistics of the National Institute of Statistics (INE). Kappes stated that of this figure, 10.9 percent corresponds to the jobless and 2.7 percent to those seeking work for the first time, adding that unemployment experienced a slight rise compared with the June-August quarter. However, Kappes stated that compared with the July-September period of last year, unemployment dropped 2.1 percent, which reveals the effort being made to increase employment levels. He also indicated that in the metropolitan region, unemployment during the quarter in question rose to 18.4 percent, which means an increase of 3/10 compared with the previous quarter. The total number of unemployed throughout the country is 514,000, 412,100 corresponding to the jobless and 101,900 seeking work for the first time. In the metropolitan region, the number of unemployed is 287,000 persons. [Text] [Santiago TERCERA DE LA HORA in Spanish 5 Nov 85 p 11] 11,464

STATE SUBSIDIZES IRRIGATION IMPROVEMENTS--Law 18,450 was promulgated yesterday, establishing that for 8 years, the government will give rebates of up to 75 percent for the cost of construction and repair of irrigation or drainage facilities and investments in equipment and mechanical irrigation elements aimed at increasing the area irrigated. In addition, the law is aimed at improving the supply of water to areas with insufficient irrigation or at rehabilitating poorly drained farmland, through specially selected and approved projects. The cost of the projects and the amount of the investment cannot exceed 12,000 development units. Article 4 of the law states that the National Irrigation Committee will periodically hold public bidding in which individuals or companies owning or using farmland may participate. The bonus will be paid when the projects have been completed and received. Law 18,450 will go in to effect on 1 January 1986, although previous to that date, the president may set forth the respective regulations to go into effect immediately. [Excerpt][Santiago TERCERA DE LA HORA in Spanish 31 Oct 85 p 11] 11,464

SOUTHERN FARM DEBT TOTAL--Valdivia--According to a study made in May, farmers in the southern region of the country owe nearly 11 billion (10,997,390,000) pesos payable within 1 year. The longer-term debt amounts to 24,589,759,000 pesos, all of which totals 34,016,517,000 pesos or \$754,289. This astronomical figure affects 6,000 persons in the 8th to the 11th regions, including both large and small farmers with commitments to banking systems, without counting



those with debts to INDAP [Agriculture and Livestock Development Institute], CORA [Agrarian Reform Corporation] or CORFO [Production Development Corporation] or those owing taxes. This information was made available by the president of the Southern Agricultural Consortium (CAS), Miguel Loaiza Velasquez, at the close of a meeting held in this city. [By Pineda Armstrong] [Excerpt] [Santiago TERCERA DE LA HORA in Spanish 31 Oct 85 p 11] 11,464

PANADEC POLITICAL PARTY CREATED--The formation of a new political movement known as the Nationalist Center Party (PANADEC) has been announced. The party's mission is to aid any kind of "legitimately constituted government that seeks Chile's expansion and prosperity," and its public leaders will be retired Navy Cmdr Igor Bravo Robles, as national president, and Jorge Ricci Martinez as secretary general. The new group, founded on 11 September 1985 by a group of young men and women, is "a disciplined, hierarchical organization that above all rejects any kind of nationalism that is not compatible with our culture and our present situation." The president of PANADEC stated that "we want to work for Chile, cooperating with the government and participating directly in all areas of national concern through professionals at all levels of the economy and production. We will get to the heart of the various problems and concerns so that we can inform the government of them and at the same time propose possible solutions." Politically, the new party defines itself as a "center current" that is devoid of any dogmatism. This will enable it to remain independent and provide constructive criticism without losing sight of the effort "to put an end to violence and partisan extremism, constantly protecting individuals' right to participate in national life with equal opportunities." Although PANADEC's top leaders claim they are "extremely aware that the task at hand is a difficult one," they do not hesitate to add: "We would venture to say that our sole objective is and will always be to attain political power in this nation through democratic means, adhering to the public electoral system and the provisions of the applicable organic law." When asked why the foundation of the party is being announced now, during the "political recess," they stated: "Because we believe this is the time to do it; our movement was formed to combat communism, and if mass media coverage is given to that political sect, which has been a cancer on our country and was the main cause of the events that led up to the 1973 coup, we see no reason why we cannot confront it, precisely because we are its antithesis. [Text] [Santiago TERCERA DE LA HORA in Spanish 23 Oct 85 p 8] 8926

COAL MINE SITES EVALUATED--Lota--The operations manager of the National Coal Enterprise, Peter Crorkan, has announced that a preliminary evaluation has revealed the presence of strata containing more than 50 million tons of coal. Experts from the enterprise will be conducting studies over the next 3 years to determine the best spot for a new mine. The operations manager said that the options are a zone south of the town of Lebu and an area south of the town of Arauco; the aim is to replace one of the current mines in Arauco Province.

Explaining that the drilling and further exploration will require heavy investment, which the industry has already foreseen, Crorkan reported that the Lebu option has coal reserves estimated at 30 million tons and the Arauco option estimated reserves of 20 million tons. "It will be a replacement mine, because the current deposits at the Caupolican mine do not have a life of more than 10 years. So we have to have a new mine ready to replace the old one as a source of jobs. Also, we have to consider the increase in demand next year and in coming years," Peter Crorkan stated. In this regard, he noted that the enterprise is planning to invest \$18 million over 4 to 5 years, during which time the new mine will go on stream with an annual production capacity of 200,000 tons. He also emphasized that the two options under study each have a long life. He explained that the Lebu mine could last for 150 years with an estimated annual output of 200,000 tons, while Arauco could last for 100 years. This, Crorkan underscored, confirms "the existence of sizable coal reserves in Arauco Province, which presents us with an optimistic future, on top of the growing demand for this low-cost fuel." [Patricio Gomez Couchot] [Santiago EL MERCURIO in Spanish 3 Nov 85 p C-5] 8743

CSO: 3348/185

## 2 PARTIES CONFER ON DIFFERENCES OVER ELECTION OF MAYORS

Bogota EL TIEMPO in Spanish 1 Oct 85 p 3-A

[Article by Jesus Medina S.]

[Excerpt] Between today and tomorrow, the Liberals and Conservatives will hammer out agreements to resume debate on the popular election of mayors, which was postponed last week by Committee I of the House after Cesar Perez Garcia presented a report proposing changes in the bill.

The two parties clashed over changes in the legislation, and passage of the bill in the second round of debate will depend on the agreements reached between the parties' leaders.

The Galanists announced their support for the government initiative, but they objected to the modifications proposed by Perez Garcia in his report, claiming that they are new issues that have nothing to do with what Congress passed last year.

The secretary general of the National Conservative Directorate, Jaime Arias Ramirez, told EL TIEMPO that between today (Tuesday) and tomorrow (Wednesday), the delegates of the two parties will meet to define their points of agreement so that the bill can resume its progress through Congress.

Arias Ramirez explained that there are differences on four points, and claimed that his party advocates debating the bill on the basis of what was passed last year, which was the fruit of a consensus among the parties and political groups represented in Congress.

The differences have arisen, according to Arias Ramirez, on the following points: the date of the mayoral elections, the year when the constitutional norm will take effect, the reelection of these officials to a second term, and the referendum to reform the Political Charter on a single issue.

The Conservative senator expressed the view that the changes Perez Garcia proposed in the bill "destroy the harmony between the parties," and added that the Conservatives insist that the mayoral elections should take place at the same time as the congressional elections.

"The Conservatives prefer to have the effective date be 1986, and we have prepared the party for that. We want the mayoral election to take place as agreed upon last year," contended Arias Ramirez.

The analysis presented by the political leaders does not contemplate any change in the referendum. According to Arias Ramirez, the Conservatives would be willing, for the sake of national unity, to study a proposal to hold the election in 1988, but he noted that it has not received any information on this matter.

The members of the National Conservative Directorate, the associate directors, and the Liberal Political Commission will participate in the meeting.

8926

CSO: 3348/58

SUPREME COURT PRESIDENT SAYS GOVERNMENT NEGLECTS COURT NEEDS

Bogota EL ESPECTADOR in Spanish 17 Nov 85 p 7-A

[Interview with Supreme Court Chief Justice Fernando Uribe Restrepo by Maria Teresa Herran and Maria Jimena Duzan, in his office; date and time not given]

[Text] The trials and tribulations of searching for physical space (the periodicals library, which the decree stipulates should be the Court's headquarters, has only two large rooms that could be used; the Casa de Pombo was not a very functional solution) has taken up so much time that the new Court has not even had a chance to "make up an organizational chart to determine priorities." In his opinion, these priorities are "seeing what was burned up, organizing the files, and relocating the people who are left."

[Question] Which files were saved?

[Answer] Allow me to make a comment: If we haven't even been able to count the dead yet, how are we supposed to count the files! I understand, however, that all of the files in Section 3 of the Council of State were saved. As for the Court's files that were lost, each one poses a different problem; in some cases there may have been duplicate copies somewhere else, such as when the file was transferred to the litigant's attorney, so there is no general rule.

[Question] What priorities will the Court set up for rebuilding those files?

[Answer] Actually, each division of the Court will solve the problem in its own way. I would say that the most difficult situation is in the Criminal Division. There we have cases of people who have a right to be released from prison, and there is no file on them. Those are the most urgent and serious cases. In the Civil and Labor Divisions, there is not such pressing urgency.

Relations with Other Branches

Dr Uribe prudently notes that as chief justice of the Supreme Court, he cannot comment on the way the government handled the take-over of the Palace of Justice. Nor will he comment on something that came up in the conversation: the fact that the president of the republic did not make an appearance or even send a congratulatory message when Dr Uribe was sworn in as chief of the other



branch of government. But in general, we asked, how are relations with the Executive Branch and the Legislature after the hair-raising events?

[Answer] These relations are based on the constitutional principle of harmonious cooperation. Now as before, especially in recent years, this principle has remained theoretical for the most part. It is true, as some have said, that the Judicial Branch of government is the dry branch; that is why it burned so easily.

Fernando Uribe explains that the Court's power is very unusual because it is juridical power, and thus defenseless. "We have no budget; it is very difficult for us to manage personnel, because the creation of a post depends on the Justice Ministry or the Congress. This branch cannot survive without the effective support of the other two branches of government."

[Question] Why has that support been withheld?

[Answer] It is normal to a certain extent, in the sense that the material problems that arise in Congress and that guide the government are more concrete; they have a more specific orientation. On the other hand, this is a country of lawyers, and we have some magnificent lawyers here, so despite the disincentives Colombia has some very good potential candidates for filling positions in the Judiciary. This enables the Judicial Branch to function all right, without the need for better working conditions for the judges, and so on. The government is aware of that, and for that reason /the requirements of justice take the back seat/ [passage enclosed in slantlines printed in boldface].

#### Abandonment

"I have been very disappointed at the public reaction to the tragedy in the justice sphere," confesses the chief justice in anguish. He still does not understand how this beauty contest attitude could be possible, just days after the holocaust at the Palace of Justice. He adds firmly:

"Just a short time ago the Supreme Court of Justice announced to the country that the four justices of the Constitutional Division had received death threats, and the National Security Council officially met to consider these threats, terming them serious and very grave. Then the Court, in an action that I even disagreed with at the time but turned out to be appropriate in retrospect, issued a public communique telling the nation: 'We are being threatened with death.' There was no reaction whatsoever, not in the newspapers or anywhere. Maybe there were one or two comments. That was a month ago. In other words, the communique was published on the front page of every newspaper in the country, but there was hardly any reaction."

[Question] Do you think the justices will continue to receive threats?

[Answer] I think that we are all threatened in Colombia, although certainly those of us who are in a "fishbowl," as they say, are more vulnerable. But I think that to lift the threat from all of us, including judges, the country

must change its attitude. If this does not happen, the armored cars and the bodyguards will not be enough.

M-19

"In this country all Colombians run a risk," he stresses. "Look at what happened with the volcano. Its eruption has been predicted for more than 6 months, yet it killed over 20,000 people."

But returning to his tragedy, although he still has many thoughts running through his mind, in light of the events that took place at the Palace of Justice, he has his own analysis of M-19:

"Personally, not speaking as chief justice of the Supreme Court, I would say that M-19 underestimated the Court. It thought that the Judiciary was very important, and it thought it could repeat there what it carried off at the Dominican Embassy. I have testimony from survivors that indicates that the first contact between the guerrillas and the justices reveals the former's great respect for the latter. Some judges would be talking to their families on the phone, and a guerrilla would take the phone and say to the relative: 'Don't worry, nothing will happen to His Honor.' I think that M-19 was indulging in a certain romanticism in carrying out this action. But it made no sense to go to the Palace of Justice to present a case with machine guns. Justice cannot be demanded with machine guns!"

Dr Uribe feels it is the most natural thing in the world for a political debate ("I am not referring to a debate on the president," he clarifies) to be going on regarding the events that occurred. He states he could not imagine a democratic system where "something like this happens and there is no parliamentary debate." And although he does not discount the possibility that many of the voices heard in this debate are somewhat opportunistic, he feels that the debate began on objective bases. He also thinks the institutions have reacted normally: "Congress with its debate, and the Court with its proposal for a special tribunal."

We also ask the chief justice his opinion of other reactions. For example, that of the attorney general. His response suggests that it was late in coming: "When I arrived in the country," says Dr Uribe, "the first thing I asked was what the president and the attorney general had said, and I was told they said nothing. Then I waited 4 days, and the attorney general had still not said anything."

But why the delay? The chief justice answers succinctly: "It was not easy to say anything at that time."

And although he points out that he really was not informed of what Dr Luis Carlos Galan did to deal with the situation (he was the only member of Parliament who called for a ceasefire) because the justice was out of the country on business, he states that in any event, "the idea of a ceasefire at that moment seemed very logical and rational to me, almost a matter of common sense."

[Question] How do you, the Supreme Court justices, view the actions of Justice Minister Enrique Parejo at this time?

[Answer] The first thing I did as chief justice of the Court--and I am glad that you asked me that question--was to congratulate the justice minister for his dedication and his interest. Effectiveness is another matter. But Minister Parejo has shown us evident good will and devotion. I am referring specifically to the help he has given us in the problem of our headquarters, and in the investigation. I even had a chance to tell the minister that during these days of tragedy he has become for us not just the justice minister, but the minister who carries out justice.

[Question] Do you think, as Supreme Court chief justice, that there are close ties between M-19 and the drug traffickers?

[Answer] I don't know about M-19 and the drug traffickers, but there are very strong indications that the latter were indeed involved in the events at the Court. The attack was carried out on a Wednesday at 1115 hours, when it was known that the Constitutional Division was going to meet to study the first paper on the Extradition Treaty. If those who invaded the Palace of Justice had wanted to do away with all the judges, they would have perpetrated their crime the following day (every Thursday at the same time the full Supreme Court is in session).

Dr Uribe also points out an M-19 communique that was issued several days before the assault. This document emphasized its criticism of the treaty, "which is incomprehensible because M-19 is a guerrilla group that is not threatened with extradition." He adds that "when the assailants reached the Palace, they asked for Dr Medina Moyano, who was to deliver the first paper, and for the other members of the Constitutional Division."

#### Extradition Treaty

Despite everything, the Court has still not ruled on the Extradition Treaty. Dr Uribe Restrepo regards the case as a good example "of the relationship between the branches of government and the Court's situation with regard to public opinion."

[Question] Why?

[Answer] The president of the republic negotiated it, and carried out the exchange of ratifications; the Congress approved the treaty by law, and the only function of the Supreme Court of Justice is to act as a judge and enforce a law approving a pact negotiated by the Executive Branch. But those who are held accountable for the fact that extraditions take place are not the Executive or the Congress, but rather the justices, who simply enforce a law that was conceived and formulated exclusively by the other two branches.

[Question] Don't you feel bitter about that?

[Answer] Of course. And I come up with this scenario: The Extradition Treaty is perhaps the only serious threat against the drug traffickers. So in

their thinking, I imagine they are willing to do whatever they can to elude that threat. And the only feasible thing they could think of was to attack the Constitutional Division of the Court. They had nothing to lose, because they can murder with impunity. And they had a lot to gain, because they thought they were eliminating this threat. But it is extremely absurd and unfair for them to attack the most innocent branch of government that had the least to do with extradition.

#### Resurrection

[Question] When will the Court really begin functioning again, and when will the Judiciary return to normalcy?

[Answer] Well, there are some normative criteria. There is a suspension of terms for the Council of State, and another suspension for the Supreme Court, the latter being slightly longer. Theoretically, the Supreme Court will resume activities early next year. There is one very touchy area, however, that of constitutional matters, which must wait until the Constitutional Division is manned again. Not a single survivor remains. When that division is reconstituted, the matters related to constitutional control, including the state of siege decrees that have allowed for this restructuring of the Court, can be processed.

On this issue, which has caused some confusion, Dr Uribe states that the current justices, "who are serving as the seeds for the rebirth of the new Court," and the justices that are appointed by them, are prevented from ruling on the constitutionality of the decrees. Thus, a Supreme Court of Justice appointed by associate justices (selected from the list in the Court's possession) must rule on the constitutionality of these decrees. This should take about 3 months, according to the chief justice. However (and he warns that he is expressing an opinion because he has already been prevented from ruling on this matter of constitutional control and will not participate in the case), he believes that the decrees "are completely constitutional, from whatever perspective," and therefore cannot be overturned.

Thus, little by little, the Supreme Court of Justice is healing its wounds. And it must do so, because institutions are perennial. But it is undergoing this process with the chronic weakness of the Judiciary, which is manifested in the mundane fact that the justices even have to share a car, while any low-ranking official of any ministry or decentralized institute gallivants around in his own official car.

8926

CSO: 3348/232

ITINERARY FOR 1986 PAPAL VISIT ANNOUNCED

Bogota EL TIEMPO in Spanish 29 Oct 85 p 8-A

[Excerpt] Papal Nuncio Angelo Acerbi said yesterday that Pope John Paul II's visit to Colombia will provide a spiritual revival and awaken new energy and strength in the Colombian people.

According to the prelate, the papal delegation will be made up of Cardinal Agostino Casaroli, second-ranking authority in the Vatican after the Pontiff and secretary of state; Monsignor Eduardo Martinez, undersecretary of state and the third-ranking official in the papal government; and Father John Mugge, in charge of liturgical celebrations.

Also traveling with the Pope will be Monsignor Jack Martin, responsible for arranging his audiences, and Father Roberto Tucci, president of Vatican Radio. The Supreme Pontiff will stay at the nuncio's residence.

The Vatican's representative in Colombia said that the first step to be taken by the Colombians wishing to prepare for the papal visit is "to want to be good Christians."

"Throughout the world, progress in the metropolises has gladdened persons in religious life and family and economic difficulties in general hinder evangelical action," the nuncio said.

However, he added, there has been a revival of will in the priesthood and religious life in Colombia. A large number of young people with the vocation are coming forward and this is a good sign for the health of the Church. "This fact will make the Pope extremely happy, since there has been a decline in vocations in other countries," he said.

In recent years, seminaries have had to be opened that were closed and there has even been new construction in order to take in all those aspiring to religious life. "Three years ago, we had to open the Zipaquira seminary, where over 50 young men are studying. In one seminary in Bogota alone, there are 140 students, in Medellin the larger such establishments are full and in Cali, there is no more room. It is a phenomenon spreading throughout Colombia and witnessed in other countries such as Mexico and Argentina as well," Monsignor Acerbi said.



It should also be pointed out that most of the priests in this country are Colombians, unlike in many other nations, where it is necessary to "import" priests. Colombia is even sending priests to other continents.

The official also mentioned the proliferation of religious sects in Colombia. He said that they appear where there is a vacuum and that the people accept them because they know nothing about their own faith. It is the people least educated and lacking in assistance. Otherwise, they could not be persuaded.

#### Tentative Schedule

Monsignor Hugo Puccini, auxiliary bishop, confirmed that the tentative schedule for the Pontiff's visit to Colombia is as follows:

1 July: arrival in Bogota in the afternoon, where he will be greeted by President Betancur, bishops, priests and senior seminarians.

2 July: Chiquinquirá, where he will also meet with bishops and priests.

3 July: Cali, where he will visit Valley areas affected by violence.

4 July: Medellín, where he will preside over the ceremony of beatification of Mother Laura and Sister Isabel Tejada Cuartas, whose canonization is underway.

Saturday, 5 July: Cartagena, where he will receive petitions from the Movement of Black Peoples. He will spend the night at the Casa de Huespedes Ilustres in the city.

6 July: In the morning, he will celebrate mass before leaving for Barranquilla. From here, he will send his message of peace to the entire country, before visiting the church of Chiquinquirá. Finally, he will speak to Catholic young people and businessmen, workers and professionals in the Metropolitan stadium. He will return to Rome in the afternoon.

11,464

CSO: 3348/170

## FINANCIAL SYSTEM REFORM BASED ON 10 BASIC CHANGES

Bogota EL COMERCIO in Spanish 26 Sep 85 pp 1-A, 8-A

[Article by Carlos Pineros]

[Text] The government has announced a new priority in the economic policy that President Belisario Betancur will follow in the last year of his administration: reform of the financial system.

"This problem has to be solved," said Minister of Finance Roberto Junguito Bonnet, while his successor, Hugo Palacios Mejia, simultaneously set forth ten basic changes in the financial system, in line with the announced government priority.

The financial system has debts totaling \$220 billion that it may not be able to recover, its institutions are short of funds, there is a heavy concentration of shares held and the existing framework makes it impossible to give the country a basis for carrying out major national development projects for the immediate future.

Junguito Bonnet, in what was practically his last meeting with newsmen as minister of finance, said that the country will easily meet the economic goals set for September regarding international reserves, tax resources and monetary totals.

The official, who next month will take up his post as Colombian ambassador to France and who will turn his ministry over to Palacios Mejia at 1000 hours on Friday, observed that Francisco Ortega is an expert on financial affairs and that his appointment as manager of the Bank of the Republic -- the Central Bank -- responds to the prime need of moving forward with reform of the system of financial intermediaries.

### Palacios Mejia's Proposals

The new minister of finance, Hugo Palacios Mejia, made a careful analysis of the trend in the national financial system and in particular, examined the developments of recent months, during which, as a result of the recession, the lack of controls over new practices and the undisciplined conduct of some private entities, the 1982 crisis developed. That crisis forced the Colombian Group to intervene and nationalize the National Bank, exposing the weakness of the system.

Palacios Mejia enumerated the steps which the government, through the Monetary Board, has taken in order to save businesses and banks, with the warning that, in the case of the financial entities, the possibility of other surprises had not been totally avoided. However, he noted that the government is in a position to handle and overcome any problem of this nature.

He also suggested that some entities will have to renegotiate their private foreign debt, along with the Bank of Colombia, which concluded 18 months of such negotiations last week.

In the editorial notes of the Journal of the Bank of the Republic for the month of July, Palacios Mejia included the analysis of the financial system and proposals to modify certain standards, listed below:

- 1) suspension of the requirement of making compulsory investments out of loans that are not productive;
- 2) complete tax acceptance of provisions that are needed. Here it is a question of not taxing certain resources that the banks keep, penalizing profits, in order to protect their portfolio.
- 3) design of a system of payment in the Treasury Directorate that will help the nation's creditors meet their obligations to financial institutions. This results from the fact that the government is a major debtor in the banks' portfolios and is behind in its amortization payments.
- 4) the granting of extensions in the development credit of the Bank of the Republic;
- 5) congressional approval of laws to strengthen the Banking Superintendency;
- 6) permitting the investment of foreign capital in the sector;
- 7) reform of the system of agreements with creditors;
- 8) easing the nominal reduction in the value of shares in companies that have sustained losses;
- 9) creation of the National Guarantee Fund; and
- 10) further development of the system of "professional subscription" or "underwriting."

This system consists in having a business issue bonds or shares in order to increase its capital and turn the securities over to a middleman so that they may be sold to potential and actual shareholders. For this purpose, the government has credits to be granted to buyers at low interest rates so as to stimulate the capitalization of banks and businesses.

The retiring manager of the Bank of the Republic publicly expressed his optimism over the results expected of the refinancing of productive means by domestic

banks and the capitalization of debtors and creditors with full government support -- measures already in force -- with the addition of the ten points described.

He called attention to the fact that "no one can guarantee that the evolution of the financial system, so deeply transitional, will not bring additional surprises."

He then warned that "fortunately, we have legal and administrative instruments in order to confront them successfully for the time being, while the permanent and fundamental measures we have designed take effect."

Palacios Mejia made one additional observation: "In the face of unforeseen events, the most important thing is to be determined to coordinate the monetary measures that are required with tax and foreign exchange action demanded by continuation of the successful plan of macroeconomic adjustment destined for the country."

The position of the new minister of finance reaffirms the announcement by President Betancur that the change at the top of the ministry will not imply any change in direction.

The conservative economist from Quindio noted the danger if full advantage is not taken of the system of supporting banks and businesses in transition: "If negotiations are delayed or if creditors and debtors join forces to avoid admitting losses and disguise them through more loans, then the problems will become even more critical."

"The authorities are confident that the good sense of all those involved will mean that in this field as well, Colombia will make the adjustments indispensable for its normal development."

Palacios Mejia gave equal importance to the financial reform and proposals relating to support for the real sector of the economy and to the conclusion of foreign negotiations in order to obtain \$1 billion in credit aimed at carrying out basic projects for coal, oil, the capitalization of banks and others.

Developing his strategy, he noted the suitability of "coordinating existing resolutions -- of the Monetary Board -- in order to facilitate financial democratization" and indicated that more work must be done to promote a "solid, reliable and democratic financial system."

"All Colombians need to have the financial sector strengthened. Otherwise, businessmen will not have adequate capital or credit to generate employment, goods and services. Savers will see their holdings threatened and the country could once again experience difficulty in obtaining lines of credit from international financial entities. Just as all Colombians benefit from the rescue of the financial system, all must help bear the necessary cost," Palacios Mejia emphasized.

According to his estimates, the rate of devaluation will be lower in 1986 than in 1985 and just as the debt of the sector dealing in foreign exchange rose with the devaluatory trend, it will now be alleviated and perhaps there will be a drop in interest rates, the head of the issuing institute -- until 1000 hours today and minister of finance thereafter -- predicted.

11,464

CSO: 3348/169



FIRST HALF 1985 PRODUCTION UP; SALES, WAGES DOWN

Bogota EL TIEMPO in Spanish 29 Oct 85 pp 1-A, 12-A

[Article by Carlos Pineros]

[Text] Industrial production registered growth of 3.36 percent during the first 6 months of the year, while employment in the sector during the same period dropped .86 percent, real wages 2.71 percent and commercial sales 7.04 percent. By August, construction had declined by 5.34 percent, DANE [National Administrative Department of Statistics] has reported.

In value, exports rose during the first 6 months of the year by .7 percent, but the tonnage rose 39.2 percent, which presumes a drop in prices.

This phenomenon can be seen in the category of fuel and minerals, whose exports rose 15.2 percent in value, but 73.2 percent in tons. Exports of sugar and sugar by-products dropped 13 percent in value, but the tonnage rose 129.4 percent. Cotton exported rose 3.2 percent in value, but in tonnage 55.1 percent. In other areas, the same trend was seen, but with less spectacular figures.

According to DANE, during the first 8 months of the year, the authorized construction area in 11 main cities dropped 5.34 percent compared with the same period last year.

The greatest drop was seen in Barranquilla and its metropolitan area: 61.15 percent, followed by Bucaramanga, 48.76 percent, Neiva, 37.5 percent, Manizales, 32.46 percent and Cali, 25.34 percent.

The authorized construction area rose 117.31 percent in Pasto, 36.53 percent in Cartagena, 24.51 percent in Medellin and 16.01 percent in Cucuta.

Construction costs rose 15.69 percent between December of last year and August of this year in the housing sector.

Wages in the manufacturing industry during the first half of the year rose 19.96 percent in nominal terms (numbers), but in real terms (deducting inflation), they dropped 2.71 percent, resulting in a drop of 1.46 percent for white-collar workers and 4.08 percent for blue-collar workers. In the sector of oil by-products and coal, the drop for blue-collar workers was the

greatest: 17.89 percent, according to DANE. This paradoxically comes at a time when both coal and oil constitute the greatest hope for new revenue to alleviate the national economic crisis in the years ahead.

Manufacturing jobs dropped .86 percent and, without coffee harvesting, 1 percent. In the latter case, work for white-collar personnel rose .13 percent, but that of blue-collar workers dropped 1.51 percent. In the shoe industry, employment dropped 13.25 percent for white-collar employees and 16.66 percent for the blue-collar force.

Retail sales dropped 7.04 percent between January and July of this year in real terms. At nominal prices, they rose 16.18 percent.

The drop was 33.6 percent for vehicles and spare parts, 6.36 percent for clothing and shoes, 4.73 percent for food and beverages, 2.41 percent for furniture and electrical appliances, 2.35 percent for construction materials and 1.41 percent for goods in general. In pharmaceuticals, sales rose 8.4 percent.

In the same sector of trade, wages and real services paid dropped 4.14 percent during the first 6 months, but in nominal terms, they rose 18.04 percent.

Figures on employment from DANE and contained in this report show the same negative trend observed by the National Associations of Industrialists, ANDI, and economic research centers.

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CSO: 3348/170

FINANCE MINISTER BLAMES ECONOMIC PROBLEMS ON BUSINESS SECTOR

Bogota EL ESPECTADOR in Spanish 26 Sep 85 pp 1-A, 14-A

[Text] The new finance minister, Hugo Palacios Mejia, claimed yesterday that the financial system is still in a traumatic situation, and despite the many measures taken to alleviate it, surprises are still in store. Summing up the decisions made by this administration to resolve the so-called "plunge" of the financial system in 1982, Palacios Mejia contended that "although we are very optimistic about the success of the aforementioned system, no one can guarantee that surprises will not continue to arise, given the traumatic state of affairs."

The high official also maintained that if Colombians want to benefit from the recovery of this sector, they should all help underwrite the costs, and will have to pay the consequences of any money printing that takes place.

Citing studies conducted by the Superintendancy of Banks, the Bank of the Republic, the Monetary Board, the World Bank and the Bank of Spain, he indicated that the problems plaguing this sector stem in large measure from the weakness of the business sector. Some businesses can no longer pay the principal or the interest of the debts they contracted with the financial sector.

"Consequently," he added, "the financial institutions have had to face the possibility of losing much of their assets."

In the latest editorial notes he wrote for the magazine put out by the Bank of the Republic, the former manager of that institution stated that although the problem loans are more widespread than was initially suspected, they are nonetheless quite concentrated, and there is a certain degree of "specialization" in the relations between debtors and creditors.

"Because of this, it seems clear that it is not easy to devise a single overall strategy capable of solving all or most of the problems or of saving all the debtor companies or creditor financial institutions," he asserted.

He admitted that some changes have taken place in the general economic situation so that a considerable portion of the problems can be solved. He cited the example of the slow-down in the rate of devaluation that will take

place next year, and the measures taken on 7 August by the Monetary Board to encourage agreements between creditors and debtors.

### All Will Pay

According to Palacios Mejia, officials think that the country as a whole will benefit from these decisions, because it will have a more sound, reliable and democratic financial system. Moreover, the workers and owners of many indebted businesses will benefit.

"At the same time, however, the whole country will pay the costs of any money printing. By selling new shares or by putting them up as payment, the business owners will lose some of the control they have over these shares, and they will have to make good on these losses in one way or another," he explained.

"Finally," he added, "expanding the capital of the financial institutions and making them more democratic will erode the control of their current owners."

### More Measures

The Conservative economist and attorney stated that in addition to the recent measures adopted by the Monetary Board to deal with businesses' debts to banks, some complementary actions will be needed.

Among them, he noted, the most urgent seems to be to finish defining the composition of the great fund from which the resources will come.

He predicted that the upcoming decisions will also include the elimination of the mandatory investments that the institutions have to make in non-productive loans, the granting of extensions on development credits from the Bank of the Republic, and the passage of legislation by Congress to reinforce the Superintendancy of Banks, reform the system for arranging creditor-debtor agreements, and create the National Guarantee Fund.

"It is possible, finally, that some financial institutions will have to reschedule their foreign debt," he indicated.

The new head of public finance warned, however, that the plan for supporting the business and financial sectors entails arduous negotiations between debtors and creditors, and an explicit recognition of the losses that both have incurred.

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CSO: 3348/58

## ECOPETROL FACING DIFFICULT FINANCIAL SITUATION

Bogota EL SIGLO in Spanish 7 Oct 85 pp 9-10

[Article by Arturo Menendez Vall-Serra]

[Text] The sharp devaluation of the Colombian peso; the decision to maintain the freeze on fuel prices, with the consequent increase in government subsidies for consumers of petroleum products; and the 8 percent tax on the CIF value of hydrocarbons imports, are among the factors that have put the Colombian Petroleum Enterprise (ECOPETROL) in a difficult financial position. It began with severe liquidity problems, and is now threatening the development of major projects and the state enterprise's investment capacity.

The sacrifice that Colombians have made in recent years to help ECOPETROL keep down fuel subsidies and to keep its prices close to cost and not far from international market levels (much of the nation's supply is still bought on the international market) is about to be wasted. Prices are now returning to the levels seen at the end of the last decade.

### Growing Problem

The adjustment of fuel prices, which the International Monetary Fund (IMF) says in a report on the Colombian economic situation should be set at a minimum of US \$0.75 per gallon, seems far off. And the longer it is postponed, the larger the increase will have to be to offset the accelerated devaluation of the national currency.

The report, which was drafted after the news of Occidental's oil discoveries in the Arauca region had been released, recommends that the measures taken include the stabilization of the domestic price of gasoline at US \$0.75 per gallon.

To set the price that high next November, 12 months after the last increase (11/2/84), would mean raising the price by approximately 37 percent; hiking it to US \$0.75 in December would mean an increase of 39 percent.



Trying to attain the level of November 1984, equivalent to US \$0.81, would mean raising the price in December by about 50 percent, in other words, leaving the price at 133.65 pesos per gallon.

Attempting to bring the dollar price to the 1983 level, US \$0.38, would lead to a hike of 63 percent over the current price (see Figure 2).

The political decision to keep the price the same, in consideration of the effects that an increase would have on prices and social stability in the country, seems already to have been made, at least through the end of this administration.

Its effects on ECOPETROL's finances are obvious: greater subsidies, restriction of projects and programs, and of course, difficulties in obtaining foreign credit for investment in projects such as Cravo-Norte.

#### Resources to Invest

The partnership projects that the Colombian Government signs with multinational oil corporations through ECOPETROL do not involve any disbursement by the state enterprise until the oilfield has been declared commercially viable.

At that point, ECOPETROL will have to pay half the costs of developing a field, and problems may arise for the Colombian Government with respect to the IMF's memorandum of reference.

There is no question that the discoveries and the official declaration of commercial viability are good for the country's economy. What is clear, however, is that a policy that has an adverse impact on ECOPETROL's finances will hamper its ability to meet the commitments it makes after the declaration.

ECOPETROL needs foreign credit to meet its share of investment in projects such as Cravo-Norte, its own development in Apiay, and other projects it is undertaking to modernize plants, build pipelines, explore and develop reserves.

The price of gasoline has proven to be the Achilles' heel in compliance with the IMF's "recommendations," which the current administration appears to want to follow in excess.

#### Difficulties to Come

But refusing to raise the price in the final year of this administration, which has been called the "social" year, would just mean putting off a decision whose postponement would have an even more adverse effect on ECOPETROL's structure. It has already been hit hard by the sharp devaluation and the increased subsidies and taxes. Delaying the decision would also have a negative impact on the country, which the experts say should at all costs avoid the "oilification" or "coalification" of the economy, in view of the

results this approach has had in neighboring countries that are major hydrocarbon producers.

In addition, putting off the price hikes could be catastrophic for a firm like ECOPETROL, which receives 70 percent of its income in national currency and must make a similar proportion of its outlays in foreign exchange.

With the IMF

The IMF made its evaluation of the Colombian economy in early 1985, when the vast reserves of hydrocarbons in Arauca had already been fully proven. This assessment stresses the need to maintain a dollar-referenced price (US \$0.75 per gallon) domestically, mostly as a function of the tax effect it has, given the current fuel price structure (see Table 1).

Regarding the price of gasoline, the IMF report states: "The staff feels it is important for the domestic prices of gasoline and other petroleum derivatives to be adjusted to international prices, before the country becomes an exporter of any magnitude. The officials agreed with the staff, and acknowledged that this policy will be very important from the standpoint of allocating resources. They indicated, however, that it would be very difficult for them to reach the level of international prices, in dollar terms, before the current administration finishes its constitutional term in 1986.

"Today (March 1985), the domestic price of gasoline is close to US \$0.70 per gallon, and given the accelerated rate of the peso devaluation, a substantial adjustment in the domestic price of gasoline will be needed to prevent it from falling in dollar terms. The officials stated their intention of adjusting the domestic price of gasoline by at least 10 percent before June.

"This increase has been taken into account in budget projections, and a mechanism is supposed to be devised to introduce adjustments in the coming months in order to ensure that the domestic price of gasoline will be at least US \$0.75 per gallon by the end of this administration's term. Current Finance Minister Roberto Junguito said that he will work with Mining Minister Alvaro Leyva Duran on the proposed adjustments in the domestic price of gasoline, and he intends to submit the mechanism to the staff for its consideration once it is ready." (See Figure 3.)

Little progress has been made on these "recommendations" by the IMF and the tacit acceptance of them by the officials.

Neither the 10 percent adjustment nor the plan for monthly increments has taken place.

According to the IMF document, the government also tacitly recognizes its willingness to postpone the fuel price hike to the next administration, although later on, and in the same passage of the multilateral organization's document, it is asserted that the price will be at US \$0.75 per gallon by the end of this administration.

It should be noted that the IMF's intention in proposing a raise in the price of fuels is not to solve any temporary problems that ECOPETROL may face, but to bolster the government's revenues through the gasoline price structure, given the large share of taxes in the total cost that consumers pay for fuels (see Table 1).

#### Without the IMF

The magazine published by former Minister Rodrigo Botero, ESTRATEGIA ECONOMICA, in a recent issue presented an analysis that warned of the problems of delaying domestic fuel price hikes. It pointed out the need to return to the policy of making real but gradual adjustments, which was adopted under the Lopez Michelsen administration.

"Moving in that direction has been deemed an indispensable prerequisite for stimulating the production of hydrocarbons, promoting a more rational use of scarce energy resources, containing the burgeoning demand for fuels (it is estimated that gasoline consumption will have expanded by about 6 percent in 1985), minimizing the distortions in technological choices, reducing the pressure this sector exerts on fiscal resources, preventing a regressive allocation of government spending, and most importantly, strengthening ECOPETROL's financial capacity to meet its obligation in the self-sufficiency strategy," says the publication (see Table 2).

In areas where it is difficult to attribute success or failure to a single administration, since several administrations participate in planning, development and execution, continuity is imperative. Adjustments must be made to adapt to temporary situations, but we must not lose sight of the central objective, which in the case of petroleum is self-sufficiency (see Table 2).

Given the inspiration of the "social year," a policy that required sacrifices on the part of all Colombians cannot be abandoned at the drop of a hat. Moreover, if current trends continue, in 2 or 3 years, under circumstances such as self-sufficiency, this policy will demand abrupt changes in prices or the allocation of huge amounts to underwrite, through taxes, the ever-greater subsidy on fuel consumption.

#### Bonanza of Illusions

Discovering oil was supposed to provide an opportunity to build an economy more in keeping with reality, not to become a pretext for creating a bonanza of illusions that will be crushed in the end when we have to pay off foreign loans obtained to subsidize "cheap" fuel consumption, among other things, as long as the boom lasts. Another result will be ECOPETROL's inability to finance new exploration programs to guarantee self-sufficiency in hydrocarbons after Cravo-Norte has been depleted.

#### 8 Percent Tax

The differential between the cost of imported crude and gasoline and the real sales price to consumers is not the only factor affecting ECOPETROL's finances. Other factors are the servicing of the foreign debt and domestic

purchases of petroleum at the international market price, 75 percent of which is paid in dollars, at the official exchange rate, after the disappearance of the so-called "petrodollar."

In addition, ECOPETROL was unable to obtain an exemption from the 8 percent tax on the CIF value of imports that was established last year for all kinds of foreign purchases.

As long as crude oil and its derivatives and petroleum equipment and machinery must be imported, this tax will weigh on ECOPETROL's financial structure.

The easy expedient of passing the tax on to consumers in the short or medium term, as happens in any activity that requires imported inputs and is not subject to price controls, is impossible for ECOPETROL.

During the first 6 months of this year, because of this new tax the Colombian oil enterprise has had to pay approximately 2.538 billion pesos, which has had to come out of the same price of 89.10 pesos per gallon of gasoline. Its imports totaled US \$271.7 million. ECOPETROL has not only had to put up with the ever-higher exchange rate and the differential between the price of imported or national goods and the sales price to the public, but it also has to pay an 8 percent tax on its imports.

Imports are estimated at US \$471.6 million for 1985, which will entail a tax bill of approximately 5.257 billion pesos.

#### International Situation Lowers Expectations

Just as the situation with regard to the domestic prices and subsidies within ECOPETROL's purview is not very promising, the outlook for hydrocarbon exports, thanks to the huge reserves at Cravo-Norte, is not very rosy either.

Projections by international organizations such as the World Bank and the International Monetary Fund indicate a depression of hydrocarbons prices as a result of a glut on the world market. This glut has a variety of causes: the oil discoveries by non-OPEC nations, the replacement of petroleum by alternative sources of energy, technological advances that accelerated considerably in the past decade to make more efficient use of an increasingly costly resource, and the internal crisis in the Organization of Petroleum Exporting Countries (OPEC) which led nations with large debts or tremendous foreign exchange requirements to sell more oil and thus sacrifice the price.

On this last point, the Petroleum Industry Information Center states in its latest bulletin that if no satisfactory solution is found for the internal crisis in OPEC, whose share of world production has declined considerably, then oil prices will continue their downslide, and could fall as low as US \$20 for a barrel of Arabian light crude, one of the highest quality oils in the world.

Now, Colombia's outlook for self-sufficiency appears promising for the next 10 years. Such is not the case, however, with exports of oil or its derivatives; they may run out in just a year or 18 months.



The cut in hydrocarbons prices over the last 4 years, particularly the last 2 years, has changed the prospect for earning foreign exchange on oil exports in the future. The recent decreases in the international price of fuel oil, of which ECOPETROL exports a major portion of its production, have demonstrated how vulnerable the income projections are and how dangerous it would be to base the economy on some unpredictable revenues from petroleum sales.

All signs indicate that the snowballing oil production in Colombia coincides with the shrinkage of prices on the international market, which means not only lower revenues than initially projected, but also a possible decline in the search for new deposits to guarantee self-sufficiency beyond 1995 and exportable surpluses that would fetch the higher prices that are predicted for the end of this century.

As we indicated at the beginning of this report, as more oil is discovered, ECOPETROL will have to make a proportionally greater financial contribution; it will have to share 50 percent of the costs of obtaining the crude oil, and will also have to buy part or all of the partner's production at international market prices.

The plunge in prices will have a dual effect: export revenues will be lower than expected, and multinationals will lose interest if prices plummet too rapidly. ECOPETROL will have to make up for their absence with its own resources, which it can obtain only from domestic sales.

One reason why the oil economies are in such dire straits, even though they have such tremendous earnings from oil sales, is undoubtedly the excessive consumption subsidies that were granted. These subsidies prevented the generation of internal resources, and funding was obtained instead by contracting loans backed by the insecure oil revenues.

The slow growth of the industrialized economies and the even more sluggish activity in developing countries are another factor that have driven down oil prices, although the pick-up in the Western economies is expected to give them a boost.

The reduction in fuel consumption and thus in world production has also been prompted by the fall-off in economic activity; the long-awaited recovery is not yet in sight, and the recovery indicators of the principal world economies are still weak in this regard.



Table 1

## (1) DISTRIBUCION DE PRECIO DE LA GASOLINA CORRIENTE

	1984		1985		1986 (1)	
	\$	%	\$	%	\$	%
Ecopetrol	47.60	61.42	54.72	61.41	75.97	61.41
Impuesto vial (2)	19.18	24.80	22.06	24.75	30.63	24.75
Impuesto ventas (3)	5.29	6.82	6.08	6.82	8.44	6.82
Impuesto departamental (4)	0.12	0.15	0.13	0.14	0.17	0.14
Margen bruto mayorista (5)	2.08	2.68	2.31	2.59	3.20	2.59
Margen bruto minorista (6)	3.23	4.16	3.80	4.26	5.27	4.26
Precio galón (7)	\$ 77.50		\$ 89.10		\$ 123.75	

DISTRIBUCION PRECIO DE LA GASOLINA ENTRE ECOPE-  
TROL Y OTROS (8)

	1984	1985	1986 (1)
Ecopetrol	\$ 47.60	\$ 54.72	\$ 75.97
Otros (9)	\$ 29.90	\$ 34.38	\$ 47.78
Total	\$ 77.50	\$ 89.10	\$ 123.75

(1) Precio sobre la base de US\$ 0.75 galón y una tasa de cambio a diciembre del 85 de \$ 165.00. Cálculos EL SIGLO, fuente datos Ecopetrol.

## Key:

1. Distribution of Current Price of Gasoline
2. Highway tax
3. Sales tax
4. Department tax
5. Gross wholesale margin
6. Gross retail margin
7. Price per gallon
8. Distribution of Gasoline Price between ECOPE-TROL and Others
9. Others
10. Price on the basis of US \$0.75 per gallon and an exchange rate of 165 pesos to the dollar as of December 1985. Calculated by EL SIGLO from data supplied by ECOPE-TROL.

**Tax price:** One of the greatest problems ECOPE-TROL faces is that it must charge a price for fuel that is sometimes close to the international price, and it receives back only part of that price. The state enterprise receives only 61.41 percent of the current price of 89.10 pesos, or 54.72 pesos. The remaining 31.71 percent corresponds to taxes and to wholesalers' and retailers' profit margins. The table shows what ECOPE-TROL's share in the price of a gallon of gasoline has been in the last 2 years, and what it would get if the price were raised to the equivalent of US \$0.75 per gallon at the end of the year, assuming an exchange rate of 165 pesos to the dollar.

Table 2  
INCREASE IN PRODUCTION ACCORDING TO  
GROWTH IN DEMAND FOR GASOLINE  
(in thousands of barrels)

(1) Año	(2) Crecimiento 3.5% (1) Barriles día	(3) Crecimiento 6% (2) Barriles día	(4) Barriles de gasolina de más (1/2)	(5) Día	(6) Año
1985	87.000	87.000			
1986	90.045	92.200	2.155		0.786
1987	93.200	97.700	4.500		1.642
1988	96.500	103.600	7.100		2.591
1989	99.800	110.000	10.200		3.723
1990	103.300	116.000	12.700		4.635
1991	107.000	123.000	16.000		5.840
1992	111.000	130.000	19.000		6.935

Key:

1. Year
2. 3.5 Percent Growth - Barrels per Day (1)
3. 6 Percent Growth - Barrels per Day (2)
4. Excess Barrels of Gasoline (1/2)
5. Day
6. Year

Soaring demand: It is estimated that the demand for gasoline will grow by about 6 percent in 1985, given its current price, which is similar to that of 1979. With this growth rate, significantly more crude will be needed for refining than would be required with the previous growth rate of just 3.5 percent. In addition to helping to solve ECOPETROL's financial problems, a price hike would keep demand from growing so fast.

Table 3  
FUEL CONSUMPTION SUBSIDIES  
(millions of pesos)

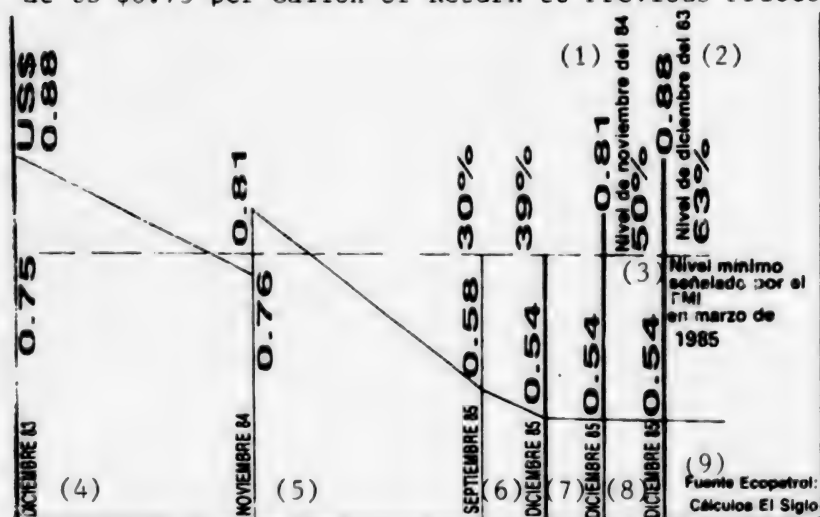
	1980	1981	1982	1983	1984	1985
(1) Crudo y gasolina	14 313	14 881	15 747	10 771	10 685	29 006
(2) Electrificadoras	2 345	2 805	2 427	4 653	6 040	6 400
(3) Cocinol	726	774	1 213	1 629	2 055	2 200
(4) Combustible naves	364	360	359	437	413	430
(5) Gas de la Guajira	595	2 494	716	310	2 286	5 200
(6) Gas propano	900	977	1 050	1 230	1 526	5 770
(7) Total subsidios Pesos corrientes	19 269	22 358	21 570	19 145	23 158	19 000
(8) Indice subsidios 1980 base 100	100 00	115 49	111 94	99 35	120 18	254 29
(9) Indice de precios 1980 Base 100	100 00	126 32	156 72	182 79	216 21	258 93
(10) Total subsidio en pesos de 1980	19 269	17 699	13 763	10 473	10 712	18 924

Key:

1. Crude oil and gasoline
2. Electrification
3. Fuel oil
4. Ship fuel
5. Gas from La Guajira
6. Propane gas
7. Total subsidies in current pesos
8. Subsidy index, base year 1980 = 100
9. Price index, base year 1980 = 100
10. Total subsidy in 1980 pesos

Deterioration: Another of the major results that is being thrown out as the policy of periodically adjusting fuel prices is abandoned is the reduction of subsidies for fuel consumption. In constant 1980 prices, in 1985 we are back to the level of that year, after having cut the level in half between 1980 and 1982. ECOPETROL will spend 49 billion pesos on fuel consumption subsidies in 1985, 111 percent more than in 1984 in current pesos, and 76 percent more in constant pesos.

and Approximate Increases Needed to Stabilize It  
at US \$0.75 per Gallon or Return to Previous Prices



**Key:**

1. Level as of November 1984
2. Level as of December 1983
3. Minimum level indicated by IMF in March 1985
4. December 1983
5. November 1984
6. September 1985
7. December 1985
8. December 1985
9. Source: ECOPETROL, Calculations by EL SIGLO

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AGRARIAN REFORM PROGRAM CALLED INADEQUATE VEHICLE FOR POLICY

Bogota EL TIEMPO in Spanish 18 Nov 85 p 4-B

[Commentary by Hernan Jaramillo Ocampo]

[Text] Many authoritative political and economic sources insist on deliberately confusing agrarian reform with agricultural development programs, arguing or explaining that the former can be replaced by the latter, with considerable advantages for economic growth.

It is worth pointing out that we have two different problems and viewpoints here, although there may be a certain interrelationship between them. The function of agrarian reform is to seek a better distribution of wealth and of rural income. It requires a policy with a predominantly social scope. Agricultural development, on the other hand, aims at boosting production through projects to improve the conditions of land, transfer technology, enhance productivity--in short, various initiatives designed to expand agricultural production.

The country today has effective tools at its disposal to advance a dynamic agricultural reform program. Such a program is necessary to appease vast numbers of peasants who rightfully yearn for better employment, income and welfare opportunities. But instead of enforcing existing statutes, officials are once again engaging in reformism, and it is felt that with new laws the demands can be met and the needs for social change can be dealt with.

The agrarian reform bill introduced a few weeks ago, in my opinion, lacks a sound theoretical basis, and is weak as a means for organizing a new rural social policy. I am not unaware that to streamline procedures for the acquisition and expropriation of lands, it is a good idea to place them within an administrative framework that provides for a more expeditious handling of the purchase and distribution of lands.

I have some experience in the field of agrarian reform, and therefore I feel justified in calling for a concentration of government and legislative action in two or three essential aspects. In the first place, clear and objective rules must be laid down for the differentiation and classification of parcels to distinguish those which are being used adequately from those which are not. We should not return to the principles of Law 135 of 1958, because that system



proved to be inefficient, and even worse, facilitated administrative practices that were of very doubtful morality. Since a series of subjective criteria were used to identify the quality of the parcel in question, the experts almost always ended up negotiating the classification of the land with an anxious owner in the hall of the estate's mansion, aided by some brandy or white rum.

I was called upon to design a reform program that would correct those errors, so in Chicoral we adopted a number of objective criteria, such as the profitability of the holding and the owner's compliance with labor legislation. I must confess that the system, which was theoretically defensible and attractive, turned out to be ineffective in practice. I therefore feel that new principles and techniques should be sought to classify land according to how well it is being used. This is a very important aspect, because whether or not the land is to be expropriated, and in many cases the form of payment, will depend on it.

I believe that experience has shown that appropriately utilized lands, which are now responsible for production and progress in agriculture, should be expropriated only in very exceptional cases in which social priorities are overwhelming, as stipulated in Law 4 of 1973. I also believe that when these holdings are expropriated, they should be paid for at the market price, on terms similar to those that reign in the voluntary real estate market. Moreover, the interest rates should be similar to those that prevail at the time on the capital market, very close to those that are being paid for time deposits.

Lands that are not being properly utilized, on the other hand, are serving a very doubtful economic and social function, and should therefore be subject to expropriation in all cases. The form of payment may be over a long term, with a punitive interest rate, representing a punishment for the owner.

To provide maximum legal and moral guarantees in the classification of lands, a list of qualified experts should be drawn up. The names should be selected from candidates nominated by each chapter of the Associations of Concession Holders, Societies of Farmers and Federations of Ranchers, and the process should be carried out in the presence of a third expert designated by the Agustin Codazzi Geographical Institute. In addition, a special court should be formed and authorized to review the respective expert investigation, at the request of the parties. I think these changes would be enough.

What is needed is a great political will on the part of the government and the political parties to undertake an agrarian reform program with social and economic provisions aimed at organizing the peasants. The latter would have the status of owners or partners in terms of agricultural income, and would thus be viewed within the framework of community enterprises.

I do not belong to the school of thought that regards agrarian reform as something that can be replaced by agricultural development. I think both goals are compatible and necessary.

The important thing is for the state, that is, the Executive and Congress, to recall that what the agrarian reform policy requires above all is significant budgetary support. I do not like the solution of creating specially earmarked revenues, which would be a form of taxation and would have an immediate impact on the cost of living, in that it actually represents a surcharge on imports of essential foodstuffs.

Agrarian reform resources should come out of the regular budget of the nation, and funding can be found by cutting back severely on superfluous and unnecessary spending, which continues to plague the national budgets.

Bogota, 14 November 1985.

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## COFFEE, OIL, COAL CONTRIBUTE TO IMPROVED BALANCE OF PAYMENTS

Bogota EL ESPECTADOR in Spanish 17 Nov 85 p 2-D

[Article by Miguel Fadul]

[Text] The Colombian balance of payments has improved very substantially over the past year. The figures for 11 October in 1984 and 1985 were the following:

Balance of Payments as of 11 October  
(in dollars, x 100,000)

	1984	1985
Current deficit	-1,713.4	- 153.7
<u>Capital income</u>	<u>152.1</u>	<u>202.1</u>
	-1,561.3	48.4
Gross reserves	1,614.5	1,935.8

Note that as of 11 October 1985, the balance of payments showed a surplus of US \$48.4 million, while during the same period of last year, there was a deficit of US \$1,561,300,000. Reserves grew by US \$321.3 million between October 1984 and October 1985.

All this indicates that 1986 and 1987 will be much better years, as long as the devaluation rate is not below the inflation rate in Colombia. During the years in question, the international trade situation is expected to return to normal, and there will be enough foreign reserves to meet Colombia's need to import the most essential items, including capital goods and raw materials.

The factors that will contribute to that normalization are coffee, oil, and coal, in addition to external credit.

In 1984 coffee accounted for 47.5 percent of all revenues from exports. It is therefore still this country's principal and most important export. In 1986 and 1987, coffee sales abroad are expected to rise sharply as a result of the predicted drop in production in Brazil and other countries due to the drought. In Brazil, production totaled 29.0 million sacks last year, and it is estimated that production will be only 15 to 18 million sacks in 1986-87. In addition, a significant portion of production will be of the inferior grades,

Robusta and Comilon. The market for these grades is limited, and the prices are quite low in consuming nations.

A major coffee exporter provided us with the following data:

Brazil		
Sacks (x 1,000)		
1985/86 harvest	28,000	
Probable 1986/87 harvest	17,000	
Brazil's quota		16,000
Domestic consumption		6,500
Exports above quota		<u>1,000</u>
Possible shortage		23,500

As can be seen, Brazil will fail to export or consume 6.5 million sacks, which must be provided by other countries that have surpluses. It appears that only Colombia and Indonesia have surpluses, and Colombia's is of very high quality. Even though Brazil has reserves of 10.8 million sacks, most of them are of inferior quality and cannot be used to make up the shortfall.

Under the aforementioned conditions, it is very likely that the pact will cease operating, and that there will be total freedom to export. According to some international trade experts, the most conservative estimate is that Colombia will export 2.0 million sacks more than its quota at a very good price, while other officials familiar with this sector contend that Colombia will be able to export 5.0 million additional sacks.

The above will necessarily result in prices higher than those of the international agreement, and this may very well lead to the elimination of the quotas and a decision to lift all restrictions on exports. Consequently, if this happens (and it appears very likely), Colombia's export prices will rise and its volume of exports will also increase.

The only dark cloud on the horizon of this product, which is essential to the Colombian economy, can be seen in the 1988/89 season, if the United States does not finally approve its participation in the International Coffee Organization. It is highly doubtful that that country will refrain from participating, because from 1988 on the situation will be extremely serious for the countries of Central America and the Caribbean, and for Brazil, Colombia and the African nations. Despite the prospects, all efforts are being made to persuade the United States finally to participate in the international agreement, which that country is reluctant to sign because it requires strong discipline on the part of producing countries. The goal is to keep them from selling coffee to other countries below the international price and in excess of their quotas, as is now happening with sales to countries behind the iron curtain. These countries are buying coffee at very low prices, only to turn around and resell it in countries such as Germany and Holland. It appears that the United States is right in demanding that the spirit of the agreement be observed.

Coffee exporters insist that what lies ahead is not a coffee boom, but just a relief. Whether the former or the latter, higher coffee sales will considerably swell the income of the Coffee Fund and that of coffee producers. The Fund will thus be able to meet its debt payments, which total US \$350 million. If the expected happens, the Coffee Fund's situation will return to normal.

In a very conservative estimate, the additional revenues are expected to be as follows:

a) From prices:	US \$350.0 million
b) From coffee sales:	<u>US \$500.0 million</u>
	<u>US \$850.0 million</u>

#### Petroleum

At this time there is a balance between imports and exports of this fuel. Thus, the increase of 100 to 150 barrels per day in petroleum exports will yield additional net revenues in the balance of payments.

Oil exports will begin in mid-1986. By that year, then, exports are estimated for only 180 days. If we assume that exports total only 100,000 barrels per day, given the very understandable goal of maintaining production for more years, and if we also assume that a barrel of high quality oil is exported for US \$22, a conservative figure, then exports for the latter half of 1986 will be as follows:

Ecopetrol: 10.8 million barrels at \$200.00	US \$237.6 million
Occidental-Shell - production cost	<u>US \$ 64.8 million</u>
	<u>US \$302.4 million</u>

In 1987, the figures will be at least doubled. All of this does not count the possibility of new discoveries, which would boost petroleum exports.

#### Coal

Coal exports are projected at 5.0 million tons for 1986, and of that total Colombian Coal, Inc. (CARBOCOL) is expected to export 3.0 million tons at US \$40.0 per ton, yielding revenues of US \$120 million. In addition, INTERCOR will have to bring in money to meet production costs, which are estimated at US \$22 per ton. This yields revenues of US \$44.0 million. All in all, coal will account for revenues of US \$164.0 million in 1986.

In sum, even assuming the worst of conditions, the additional revenues will be as follows in 1986:

Coffee	US \$850.0 million
Petroleum	US \$302.0 million
Coal	<u>US \$164.0 million</u>
	US \$1.3160 billion



The above figures will rise in the case of petroleum, if a whole year of exports is considered for 1987. In the case of coal, when all the facilities are completed the amount of exports could reach 15.0 million tons per year.

In addition, it should be noted that at least US \$1 billion in credit is already assured for 1986, and by that year the Colombian exchange rate will have been devaluated appreciably. This indicates that all of Colombia's foreign trade will have returned to normal.

8926

CSO: 3348/232

## BRIEFS

BACKGROUND OF SUPREME COURT HEAD--The new chief justice of the Supreme Court of Justice, Fernando Uribe Restrepo, is a humanist and a philosopher of law who specializes in labor law. He is a member of the Committee of Experts of the International Labor Organization (ILO). He was born in Bogota on 11 April 1929, but his family was from Antioquia. He graduated from the Universidad Pontificia Bolivariana in Medellin, and went to Madrid to take specialized courses at the Instituto Social Leon XIII. He earned master's degrees at the University of Fribourg (Switzerland) and Catholic University of America (Washington). He is the son of Felix Uribe Arango and the grandson of former President Carlos E. Restrepo. He has been a professor of labor law, general sociology, sociology of development, Colombian social problems, and philosophy of law at several universities. He is widely respected by judicial and economic experts, and until last Tuesday he was deputy chief justice of the Supreme Court of Justice. Criminal law specialist Luis Enrique Aldana Roza replaced him in that post. In 1960 Uribe Restrepo was named vice-president for social and labor affairs of the National Association of Industrialists (ANDI); he retired from that organization in 1978, when he was elected to the Court's Labor Division. He served as an employer delegate from Colombia and as a technical adviser at three conferences of the American Member States of the ILO, and at six international labor conferences. He was an associate justice in the Court's Civil Division, and served on the boards of Suramericana de Seguros, the University of Antioquia, Antioquia Social Security, and the Family Compensation Fund (COMFAMA). He is married to Cecilia Restrepo Londono, a social worker and university professor. They have seven children, several of whom are attorneys. He contributed to the PROMEC television program "Men, Women and the Home." His friends consider him a very intelligent man who is very sensitive, extremely knowledgeable of social matters, a great friend, and very shy. [Text] [Bogota EL TIFMPO in Spanish 14 Nov 85 p 3-A] 8926

FOREIGN INVESTMENTS LISTED--Foreign investment applications approved by the National Department of Planning during the first half of this year amounted in round numbers to \$25 million, distributed as follows: foreign exchange, \$9.6 million; nonrepayable licenses, \$11.8 million; and transferrable pesos, \$3.6 million. The sectors benefiting from the investments are: the manufacturing industry, with approximately \$18.6 million; export trade, with \$1.5 million; the mining sector, with \$1.3 million; contracts, with \$168,000; and fishing, with \$784,000. The largest investment per unit totals \$5.3 million, from Sweden, and the recipient will be a firm that makes sanitary products in Medellin. The investments are from the United States, Canada, Ecuador, Venezuela, Panama, Bermuda, the Dominican Republic, the Caiman Islands, Switzerland, France, the Federal Republic of Germany, Italy, Yugoslavia, Spain, Sweden, England, Holland, Belgium and Japan. However, over 80 percent are from the United States. The cities and towns receiving the investments are: Bogota, with over 70 percent of the investments, Cali, Medellin, Cartagena, Manizales, Itagui, Facatativa, Carmen de Bolivar and San Andres (Islands), where over \$700,000 will be invested in the fishing sector, from the Caiman Islands. [Text] [Bogota EL TIEMPO in Spanish 30 Oct 85 p 2-B] 11,464

ECOPETROL LOSSES ANNOUNCED--By September, the Colombian Petroleum Enterprise had registered real losses totaling \$15 billion, Minister of Mines and Energy Ivan Duque Escobar has revealed. The president of ECOPETROL, Alfredo Carvajal Sinisterra, said that those losses only amount to \$10 billion. ECOPETROL losses result from the subsidy given to domestic fuel consumption and the impact of the devaluation on its foreign debt and on that portion of national oil purchased in foreign currency. One of the solutions to ECOPETROL's financial problem is the readjustment of fuel prices, but both officials agree that it is something that is in the hands of President Betancur. "The government has no set hour, day, week or month for doing so," the minister said. Duque Escobar noted that the government will have to take the necessary measures enabling ECOPETROL to meet the situation and mentioned, among other things: greater foreign credit facilities, fuel oil exports, higher oil production and other elements he did not enumerate. He said that ECOPETROL's financial problem is not critical but is of concern. He said that CARBOCOL [Colombian Coal, Inc.] has the necessary means for meeting claims such as the one filed by Domi-Prodeco-Auxini, totaling \$13 billion, for the unilateral termination of the El Cerrejon Central contract. He added that the issue is being studied by the board of directors of the enterprise and that there will soon be open bidding by national firms to reopen the mine. The minister spoke yesterday in connection with the 8th Latin American Geology Congress, which began its deliberations in Bogota. In his opening speech, he proposed the establishment of a seismic system from the Antarctic to the Arctic to prevent phenomena such as those which destroyed Mexico and Popayan. [Text] [Bogota EL COMERCIO in Spanish 10 Oct 85 pp 1-A, 9-A] 11,464

CSO: 3348/169

## BRIEFS

DLP REPLACEMENT FOR JOHN--Former Dominica Prime Minister Patrick John, who is appealing a 12-year sentence for conspiracy to overthrow the Eugenia Charles government has been temporarily replaced on the executive of the opposition Dominica Labour Party (DLP). DLP leader Michael Douglas told CANA economist and former UWI Extra-Mural tutor Jerome Barzey had been appointed DLP's acting general secretary. Barzey unsuccessfully contested the July 1 general elections but John won in a close contest. Douglas says if John wins his appeal he will automatically resume his functions. Otherwise the post will be filled at the party's next convention scheduled for next April. [Text] [Kingston THE DAILY GLEANER in English 7 Nov 85 p 7] /8309

CSO: 3298/178

MAYOR OF CAPITAL COMMENTS ON ELECTION VICTORY

Guatemala City PRENSA LIBRE in Spanish 5 Nov 85 p 2

[Text] "The people recognized that our policies are sound and honest, and gave us their support in a massive voter turnout," said Alvaro Arzu Irigoyen, winner of the mayoral election in the capital city, speaking yesterday evening in a press conference at his party's headquarters, at 8th Avenue and 3rd Street in Zone 1.

"The number of votes we won in this election means that the PAN [Party for National Advance] is now a top-ranking political force in our country," he declared at the press conference, also attended by members of his slate.

"This becomes very clear when we recall that this party is barely 6 months old, and its candidate got twice the number of votes as his major opponents, who were backed by some of Guatemala's traditional parties, the Revolutionary Party and Christian Democracy."

The citizens' support for the winner topped his 1982 vote total by 93,000 votes; in 1982 he was elected mayor for the first time. "That is also an important factor to remember," said Alvaro Heredia, president of the PAN.

Arzu Irigoyen won a total of 160,017 votes from a total of 848 ballot boxes counted, winning 41.8 percent of the 551,417 votes cast. In second and third place were Oscar Clemente Marroquin of the PDCN-PR [Revolutionary Party] coalition, and Elmar Rene Rojas of the Guatemalan Christian Democracy Party.

With this victory, Arzu Irigoyen won seats for four of his associates and six of his council members on the city council. The four associates are: Gustavo Barrios Enriquez, Jose Arturo Pellecer Arellano, Oscar Zelaya Coronado, and Roberto Gonzalez. The six council members are: the PAN president, Alvaro Heredia Silva; Carlos Valle Torres; Oscar Berger Perdomo; Conrado Noick Samayoa; Julio Dougherty Liekens; and Eduardo Castillo Arroyo.

7679

CSO: 3248/91



NON-GOVERNMENTAL COMMISSION ON HUMAN RIGHTS SITUATION

Guatemala City PRENSA LIBRE in Spanish 31 Oct 85 p 29

[Statement by the Commission on Human Rights in Guatemala, member of the FIDH, and of the Commission for the Defense of Human Rights in Central America; issued in Mexico City, October 1985]

[Text] To the people of Guatemala:

We the undersigned, members of the Advisory Council of the CDHG [Commission on Human Rights in Guatemala], attached to the FIDH [International Federation of Human Rights], an advisory body of the United Nations, wish to state the following, during these very difficult times for the Guatemalan nation:

1. On repeated occasions, the international community, acting through different organizations, has shown itself to be seriously concerned about the persistent climate of human rights violations prevailing in Guatemala. This concern is entirely legitimate, given the international nature of human rights protective standards, and the obligation of the member states of the United Nations to guarantee the effectiveness of and compliance with these standards.
2. The most recent of these demonstrations was the resolution passed in Geneva on 28 August 1985 by the Subcommission for the Prevention of Discrimination and Protection of Minorities, which expresses once again its profound concern about the "massive, grave, and systematic violations of human rights which continue to occur in Guatemala, especially the acts of violence perpetrated against the civilian population, the disappearances, assassinations, acts of torture, and extrajudicial executions."
3. In this resolution, the United Nations group also expresses its concern "...about the restrictive measures that limit the freedom of the native population, in particular their forced relocation and their concentration in militarized villages, as well as their compulsory participation in civilian patrols organized and controlled by the armed forces." It also urges the government to take effective action so that its authorities and agencies, including its security forces, will fully respect human rights and fundamental liberties, and also so that "... those persons responsible for human

rights violations, including members of the army, its paramilitary units, and the security forces, will be tried immediately and effectively, and punished accordingly."

4. It also urges the Guatemalan government to provide accurate information on the fate of all persons who have disappeared since the beginning of the conflict, asking the government particularly "... to halt, impede, and prevent all persecution and abuse of members and leaders of the Mutual Support Group, and to respond to its requests in a satisfactory manner."

5. The resolution further asks the Guatemalan government to allow the entry of international humanitarian organizations to assist the civilian population in areas undergoing conflict, in particular the International Red Cross Committee, urging all interested parties in Guatemala to ensure the application of the appropriate provisions of international law, in particular the Geneva Accords of 1949 and the Additional Protocol to that agreement.

6. The Subcommission also expresses its profound conviction that solutions for the present crisis in Guatemala will be reached much more easily if the Guatemalan people are allowed "... to determine their political, social, and economic future freely, without foreign interference, and in a climate free from intimidation and terror." It then adds that its concerns about this matter are being expressed to the government of Guatemala "... because of the climate of intimidation and terror now reigning in the nation, which is an obstacle hindering the free participation of all political forces, social groups, and citizens in the presidential elections that will be held in November 1985, and also because of the inadequacy of the conditions for the effective participation of the native population, as well as the rest of the rural and peasant population, in the nation's political life."

7. After the date when the resolution from which we have just quoted extensively was approved, some very serious events have taken place in Guatemala, among which we should cite the massive demonstrations protesting immoderate price increases, particularly in urban transportation fares. These demonstrations led to the arrest of hundreds of people and to military intervention in facilities of the University of San Carlos.

Even though the government has modified some of its unpopular measures, there can be no doubt that a climate of discontent still persists. It has been expressed, for example, in the many strikes which have erupted demanding salary increases.

For all of these reasons, it is clear to us that for a true process of democratization to take place in Guatemala, the following essential conditions must be present:

- a. The elimination of the climate of intimidation and terror now prevailing in the country, as well as the unrestricted respect of human rights and fundamental liberties by the government and its security forces.
- b. The elimination of restrictive measures limiting the freedom of the native population, especially the repeal of the laws on "institutional coordinators," and of the decrees allowing the army to force the civilian population to join in so-called "civilian patrols," and forcing the civilians to relocate in "model villages" or "development poles."
- c. The arrest and trial of all those members of the army or of paramilitary groups and security forces responsible for human rights violations. As it has been demonstrated extremely clearly by the present democratic government in Argentina, the top military leaders involved in this repression must be tried in accordance with current legislation and punished appropriately.
- d. The preceding statement also implies that a suitable organization must be created to investigate the whereabouts of persons who have disappeared, and to provide information in a prompt and truthful manner, in order to bring an end to the suffering and anguish of their families.
- e. It is obvious that in order for all political groups to be able to take part in elections, the clandestine repression apparatus which now exists in Guatemala must be dismantled, and as has already been stated, those responsible for crimes against humanity must be brought to trial. For if that is not done, there will not be sufficient protection for the citizens as a whole to take part in elections or organize in a public and lawful manner.
- f. Above all, the rights of the native population must be respected, and they must be provided with their own organizations so that they can make proposals directly related to native cultural values.
- g. In order to promote the social stability that can generate true conditions for democratic political participation, urgent steps must be taken to provide a temporary remedy for the most pernicious effects of the economic crisis; for example, by creating new sources of jobs, by guaranteeing job security, by granting wage increases that will enable people to cope with inflation, or by providing lands to peasants who have been uprooted or to those who lack land, given the profoundly inequitable nature of the nation's agrarian structure. The tax system must also be

reformed so that the state will have adequate resources to implement an economic policy designed to promote social stabilization.

If the government's policy were to show true signs of moving in the direction indicated above, Guatemala could really begin a process of transition to democratic life. If that does not happen, it is our conviction that the painful and tragic climate which has darkened the life of this country which is so dear to all of us will continue to fill its political life with violence and fear, creating poverty, hunger, and illness in Guatemalan society.

Freimut Duve (Germany); former mayor of Hamburg, member of the Federal Parliament (SPD [Social Democratic Party of Germany])

Adolfo Perez Esquivel (Argentina); Nobel Prize for Peace

Rodrigo Carazo Odio (Costa Rica); former president of Costa Rica; president of the University for Peace (United Nations)

Elizabeth Odio Benito (Costa Rica); former minister of justice; special representative of the United Nations

Carman Naranjo (Costa Rica); former UNICEF representative to Guatemala; director of the Central American University Publishers

Joaquin Ruiz Gimenez (Spain); magistrate, public defender (human rights attorney)

Victoria Abellan (Spain); former president of the University of Barcelona; professor of international law (University of Barcelona)

George Wald (United States); Nobel Prize for Biology and Medicine; professor emeritus at Harvard

Philippe Texier (France); jurist and magistrate, member of the Supreme Court

Pierre Philippe Rey (France); political scientist, professor at the University of Paris VIII; staff member of the CNRS [National Center for Scientific Research]

Claude Meillassoux (France); anthropologist, professor at the University of Paris VIII; staff member at the CNRS

Augusto Willemsen (Guatemala): attorney and anthropologist; former member of the U.N. Human Rights Center; United Nations consultant

Theo Van Boven (Holland); jurist; former director of the U.N. Human Rights Center

Lord Eric Avebury (Great Britain): member of Parliament (House of Lords); chairman of the Interparliamentary Group for Human Rights

James O'Brien (Great Britain): president of the department of international affairs of the Episcopal Conference of England and Wales; Bishop of Westminster

Salvatore Senese (Italy): jurist and magistrate (Supreme Court); member of the Superior Magistrates Council

Rudolfo Stavenhagen (Mexico): anthropologist and sociologist; coordinator of the College of Mexico; president of the Mexican Academy of Human Rights

Mariclaire Acosta (Mexico): political scientist, professor in the Faculty of Political and Social Sciences (UNAM [National Autonomous University of Mexico]); secretary of the Mexican Academy of Human Rights

Richard Baumlin (Switzerland); professor of constitutional law at the University of Bern; member of parliament

Elizabeth Baumlin (Switzerland); jurist, professor at the University of Bern

Louis Necker (Switzerland): anthropologist and ethnologist; director of the Museum of Ethnology and Ethnography of Geneva

Alejandro Artucio (Uruguay): university professor, jurist; executive secretary of the International Commission of Jurists (Geneva)

7679

CSO: 3248/91



GUATEMALA

IVA PAYMENT FRAUD DISCOVERED BY MINISTRY OF FINANCE

Guatemala City PRENSA LIBRE in Spanish 30 Oct 85 p 5

[Text] A new irregularity consisting of a "phantom collection office" in which the payment of IVA [Value Added Taxes] was supposedly recorded has been discovered by officials of the ministry of finance.

As we reported earlier, the discovery of thousands of records and checks that were filed away to avoid payment of a variety of taxes--which could amount to 50 million quetzales--is also being investigated.

This new irregularity was discovered as a result of the investigation being conducted of these checks and records, thus proving the operation of this "phantom collection office," through which about 125,000 quetzales have been stolen, to the detriment of a number of businesses, and not to the detriment of the treasury.

It is supposed that this office was operated outside of the general division of internal revenue of the ministry of finance. The persons responsible used a seal and a signature that must have been forged, and which appear on a number of checks from persons paying this tax.

This office recorded the amount of the tax paid; however, the money was never turned over to internal revenue. This illegal practice began in April 1985.

The majority of the businesses which will be affected by this irregularity are cotton firms, poultry farms, mechanical services, farm equipment, etc. The names were not released, to avoid impeding the investigation that is continuing in order to clear up this case.

The journalist Jesus Alvarado Mendizabal, director of public relations at the ministry of finance, explained this affair, reporting that an investigation being conducted of taxpayers who had fallen behind in their payments had brought this irregularity to light.

He stated that the staff that operates the payment collection office had nothing to do with this case, as the "phantom collection office," as it is being called, was operated from outside the finance ministry building.

The complete investigation will end this week, and then further details will be released. All the operations were done with records including sworn affidavits and IVA payments, with payments of 6,000, 24,000, 14,000 and 15,000 quetzales, as well as other amounts.

7679

CSO; 3248/91

## PNP CONTINUES ATTACKS ON GOVERNMENT, JLP EXPOUNDS POLICIES

## PNP on Auction, Elections

Kingston THE DAILY GLEANER in English 1 Nov 85 pp 1, 3

[Text]

Thousands of PNP supporters marched on the Central Bank yesterday morning demanding elections now and that the Government stop the foreign exchange auction.

An all-night vigil preceded by a mass meeting at the National Heroes Park, where the crowd was estimated by Police at 80,000, culminated in the march led by the President of the PNP, Mr. Michael Manley who declared that Jamaica was at a "dangerous cross roads."

The vigil and demonstration were relatively incident-free.

The march of the placard-bearing protesters on the Central Bank was only a statement, Mr. Manley told his supporters as he addressed them early yesterday morning.

"Maybe I'll have to ask you to do other things. If the powers that be won't hear us, we're not finished," Mr. Manley said.

Referring to the Prime Minister's address to Parliament Wednesday night, Mr. Manley said that it took Mr. Seaga too long to learn that the people were suffering; and if it took so long he (Mr. Seaga) could not lead Jamaica.

In his address to the thousands of people on Wednesday night, he said that the Constitution had been framed by Norman Washington Manley and William Alexander Bustamante so that Jamaica could have a civilised democracy. The PNP had been elected in both the '72 and '76 elections but was cast out in 1980; however, he did not quarrel, rather he took his defeat in the spirit of democracy, Mr. Manley said.

The founding fathers agreed that the system would run so that every five years, the people would have a

right to say if they wanted a change, he said, recounting what he called the "corrupt act" of 1983 when the Government decided to play a trick. The PNP took a stand that it would not be a part of "that corruption."

Since the 60 men went into Gordon House where nobody had put them, "we have not made any major quarrel up to now," Mr. Manley declared to his cheering supporters.

Mr. Seaga had gone to Parliament and spoke for 120 minutes and had said nothing, he said, referring to the Prime Minister's fifth anniversary address to the nation.

"After five years, the people have a new right, a right to talk one more time. I believe in the rule of law and a civilised society but at some time you have to stand up for the principle in which you believe. There are times when in defence of a principle in which you believe you have to take action," Mr. Manley shouted to rousing applause.

"Let the people decide if they want you another five years or they want another way forward. I don't know what will happen next week or the week after and I respect tourism," he said.

"The PNP was not into guns and subversion, but that was not to say that they were going to lie down. 'I don't say we're going to block streets; that don't come yet... all I say is to come spend a night with me and everybody in pandemonium,' he said, referring to the concerns expressed by leaders in the tourist industry.

He urged these leaders to speak quickly to the Government for he

was not promising that it was only one night the party was going to spend.

"I don't want to fight," he said recalling the JBC's case 20 years ago when issues of principle had to be fought, "but if they make us have to, let that be their decision."

He asked the crowd if they were going to wait eight years to vote. They replied a resounding, "No." He said he felt that the country was at a "dangerous" cross roads as many of what the country's leaders had sacrificed to build was in danger of being thrown away.

Mr. Manley accused the Government of manipulating the auction system as he noted that many were using the auction to import things that Jamaica could not afford, mortgaging the nation's future deeper and deeper.

"They don't have the guts to stop the madness. If nobody will move some other thing will have to be done," he said, declaring that a PNP government would return the country on a path of participation and self-reliance.

Mr. Manley's address was followed by dancing, singing, the showing of a film on Bob Marley and a candle lighting exercise; then devotions at 6 a.m. conducted by the Rev. Ernle Gordon, Rector of the St. Mary's Anglican Church.

In his final charge to the crowd, with placards hoisted, Mr. Manley said that today (Thursday) the party was just making a statement which was to be followed by mass meetings across the island to spread the word.

Headed by Mr Manley thousands left Heroes Park at 7.30 a.m., surging down East Street, along East Queen Street, on Church Street to Port Royal Street and along Nethersole Place. When Mr. Manley reached the Bank of Jamaica those in the rear were still at Heroes Park.

They sang party songs--"We Cannot Hold Any Longer," "You Wrong Fe Trouble Joshua" and "Stop the Auction Now"--and hoisted the placards, some of which read: "Dollar Gone," "Look What We Come To," "Is This the Shattering Offensive" and "Election Now."

Mr. Manley climbed the steps of the Bank of Jamaica and raised his clenched fists which sent the crowds, cheering wildly: "We Want Joshua." He greeted the workers at the Bank and shook the hands of members of the Security Forces whom he had earlier thanked for their cooperation.

The disciplined crowds dispersed after Mr. Manley gave them a brief talk in which he called for elections and for the auction to be stopped. Chairman of the party, Mr. P.J. Patterson also addressed the crowd.

Early morning traffic had to be diverted from the vicinity of the demonstration, but curious workers peered from high-rise buildings to get a glimpse of the affair.

The entire event from Wednesday to yesterday morning was relatively incident-free. A helicopter which hovered at times over the park drew objections from sections of the crowd.

Other members of the PNP leadership addressing the crowd were: Vice President and President of the Women's Movement, Miss Portia Simpson; Vice President, Mr. Seymour Mullings; and General Secretary, Dr. Paul Robertson.

## Manley on Foreign Investment

Kingston THE DAILY GLEANER in English 4 Nov 85 p 15

[Text]

The People's National Party not only welcomes foreign capital but also believes that foreign investors have an important role to play in Jamaica's development.

So said PNP president Mr. Michael Manley when he addressed an audience of Jamaican and Caribbean students and residents in Washington, D.C., at the Cramton Auditorium of Howard University, a PNP release said.

Mr. Manley pointed out that the PNP Government of the '70s was one of the few Caribbean governments which prepared for Parliament, a code for foreign investment which was discussed with private sector interests in the United States and in Jamaica.

This code, he said, was considered a model of its kind. It demonstrated the PNP Government's respect of the role of foreign investment in a country like Jamaica "in the context where foreign capital is a part of what you do, it is not the whole of what you do, because the whole of what you do must be done by you".

The PNP, Mr. Manley said, knew and understood that when foreign capital comes to Jamaica, honourable terms of its relationship with the country must be negotiated.

"We know and well understand that foreign capital cannot be asked to invest as an act of charity, but has a legitimate expectation of profit and must be able to repatriate these profits.

"While there is this commitment to the rights of foreign investors, the country has a responsibility to ensure that the reins of development are held in our own hands and the residual reality of economic control remains in the power of the people."

He said it was only dishonest propaganda which had spread the view that the Party did not wish foreign capital in Jamaica. "The foreign corporations and businessmen who dealt with us in the '70s knew they had perfectly respectful relations with the PNP Government," Mr. Manley asserted.



## JLP Retreat Resolution

Kingston THE DAILY GLEANER in English 4 Nov 85 p 3

[Text]

The Jamaica Labour Party issued the following news release last night:

"Highlight of the week-end retreat of the Jamaica Labour Party was a resolution unanimously passed by members of the Standing Committee, which included Members of Parliament and Senators endorsing the Government's economic policies and strategies as "being sound, sensible and correct."

"The resolution also stated that the Government and the party should continue to take the necessary steps to bring about a greater understanding of its policies among the Jamaican public.

"The retreat started on Friday with a meeting of the Cabinet which continued on Saturday morning. This was followed by a meeting of the Standing Committee, the chief policy-making body of the JLP. The final session of the Retreat will be held next Sunday when all Councillors and members of the Central Executive of the party will meet.

"The meeting congratulated the Government on skillfully managing the economy, and avoiding the massive disruptions which could have been expected to result from the dramatic fall-out of U.S.\$500 million (J\$3 billion) from the current budget, as compared with revenue from bauxite and alumina in 1980/81, and which was occasioned following the closures of the Reynolds and Alpart.

"The retreat also noted with concern the cumulative shortfall from bauxite and alumina earnings, in the last five years as compared with 1980/81 earnings, of U.S.\$1.7 billion.

"The effects of just these two major setbacks this year totalling U.S.\$540 million or some J\$3 billion,

the retreat reviewed in the light of a total budget for 1985/86, of J\$4.2 billion. The retreat concluded, that while sympathising with public sector employees who have been laid off or made redundant, and while regretting Government's inability to grant wage increases at levels demanded by teachers, nurses, etc., that given a shortfall in Government income of \$3 billion, there was no alternative to Government's actions under the existing circumstances.

"The retreat examined progress being made in the structural adjustment programme, aimed at attaining efficiency and competitiveness of price and quality in the agricultural, manufacturing and tourism sectors, so as to reduce the abnormal and undesirable dependence of the economy on the mining sector, the collapse of which was responsible for the crisis which confronts the country at this time.

"The retreat noted the success of the Government's agricultural programmes, and the wisdom of its new policies and strategies, which were attracting unprecedented investment activity, land utilization and diversification of crops as a result of which success the aim of achieving self-sufficiency in production of food was now achievable.

"Note was also taken of steps which have been taken to provide manufacturers with protection via tariff imposition on competing imports, as a replacement for protection which formerly was by way of import licensing. Steps to contain illicit imports, and avoidance of duty payment were also discussed.

"The JLP Party Conference will be held on November 23 and 24, at the National Arena."

Kingston THE DAILY GLEANER in English 6 Nov 85 p 8

[Text]

ON WEDNESDAY night last, both the PNP and the JLP leaders competed for our attention as they attempted to give divergent views on the last five years in Jamaica.

Mr. Seaga was on the airwaves interpreting his policies and comforting us that while there were problems his were the only answers. Mr. Manley led a verbal assault on Seaga's policies from an all-night vigil in Heroes Circle that culminated in an impressive, peaceful demonstration at the BOJ against the auction system. The WPJ tried to upstage Mr. Seaga by predicting what he was going to say. He outfoxed them by steering clear of the predicted course.

I took the trouble to listen to both Seaga and Manley.

Of the two, Mr. Manley's mass rally was indeed the main event. I got there at about 9.30 and it was with great difficulty that I got within 30 yards of the speakers' platform because of the massive and dense crowd that got there before I did.

At about 11 p.m. I tried to estimate the size of the crowd by measuring its human body length and depth at various points. There were at least 50,000 persons in the park and another 1,500 in the surrounding areas and on the streets around the park.

It was certainly the largest public meeting ever held in the Corporate Area. The only other crowd I have seen in the Corporate Area that matches the PNP turnout on Wednesday night was the anti-Estrada march organised by the JLP one Saturday about six years ago.

### Quiet faith

The mood of the crowd was, however, very restrained. There was none of the accustomed exuberance and high spirits. The people are overburdened with economic and social

hardships. They have not entirely forgotten the problems of the 1970's although they now believe that there was far more hope for them to survive in the 70s under Manley than in the 80s under Seaga. Those memories serve to restrain their expectations. They also know that there are no painless instant solutions. All of this is reflected in their silent, quiet, subdued, and introspective manner.

They know that the PNP has no miracle alternative to put in place but have a quiet faith that a new PNP government under Manley will be at least a government with a heart of concern for the poor that will not (as casually as the JLP has done) turn its back on taking care of people's survival needs.

Whether that faith is right or misplaced remains to be seen.

In 1981 the PNP left a budget deficit that was the third highest in the entire Third World and about four times the average Third World level. Would a new PNP government change its fiscal policies?

There was no ideological faith being propagated on the PNP platform. The word socialism was hardly mentioned. Apart from Portia Simpson who never fails to get choruses of crowd response when she delivers blows against the JLP's price and welfare policies, the crowd response to the PNP speakers who preceded Michael Manley was rather weak.

### One-man show

The Heroes Circle meeting was a one-man show.

Indeed, the whole spirit of the meeting centred around a rekindling and renewal of faith in the 'comrade leader' Michael Manley. His arrival electrified the gathering and his rousing delivery reinforced people's faith that the PNP was not afraid to challenge Seaga.

The people are fed-up with Mr. Seaga and they came in their numbers to Heroes Circle to satisfy themselves that Michael is ready to help them put Seaga under manners. They left convinced that Michael was indeed ready.

The reason for the people's anger towards Eddie Seaga is not difficult to fathom. His speech in parliament captured the essence of how much he is the prime asset in the PNP's hopes for a major victory at the polls whenever the next election is called.

Mr. Seaga had absolutely nothing to say on Wednesday night that could have held any one's interest for more than five minutes. I listened to most of it because I am a journalist. Were I not a journalist I would certainly have turned off the radio after five minutes.

Each time Eddie opens his mouth you can predict almost every word and every phrase because you have heard it before. The flat monotone of his delivery does not help us as if we are bankers and World Bank or IMF technocrats rather than ordinary citizens. He talks as if devaluation was always part of his export promotion strategy when it was forced on him by the bauxite collapse.

### Too uptight

Mr. Seaga is too uptight. He is like a breadwinner who has lost his job and has no money coming in but leaves for work every morning, pretending to his family that he still has the job. He paints a beautiful Alice in Wonderland picture of the economy and its progress under his management that flies in the face of the reality experienced daily by 90% of Jamaicans. Yet he continues with this

pretence like the redundant worker who dresses up and leaves home every day as if he still has a job.

I wonder who he thinks is still listening?

Mr. Seaga's colleague, Mr. Charles, phoned up 'Public Eye' the day after the PNP monster rally to complain that Mr. Manley only wants an election now because he thinks he could win it, but that he fears waiting for another three years when the economy will turn around and he will lose it.

Obviously, Mr. Seaga's Alice in Wonderland economic projections have confused even level-headed politicians like Charles who usually has his feet firmly planted on the ground of reality.

In the light of Charles' Public Eye comments, Carl Wint's classic LEMI-NOTEP piece about Mr. Seaga waiting for a miracle takes on quite a different meaning. I read it as a piece of humour but it now seems that Seaga, Charles and the JLP are indeed expecting a miracle.

An interesting side show to Wednesday night's political fight card was the way in which UWI Economist, Mark Figueroa, had Mr. Seaga on the ropes on the JBC call-in programme with some blistering questions about his bauxite projection fumbles and his inaccurate assurances about stabilising the dollar. The ruffled Mr. Seaga was virtually defenceless as he tried to duck Figueroa's searching punches.

In challenging Mr. Manley's call for elections, Mr. Charles issued a thinly veiled threat that JLP supporters will not sit idly by and allow the PNP to bring down Mr. Seaga's government. This threat has to be seen against the background of recent events that are quite disturbing. JLP gunmen recently fired shots from on top of buses accompanying the JLP motorcade when the Prime Minister returned from overseas. Those shots were directed at civilian bystanders as well as at two Police Stations according to reports which were overheard on the Police radio system. Does the JLP really believe that guns can deter a people's will to replace a government in whom they have lost confidence?

Although the PNP vigil and march were peaceful, JLP spokesmen like Charles claim that the PNP's stance on elections represents a threat to political stability. When I hear these comments I am never sure as to whether they are talking about what the PNP intends to do or what reactions the JLP intends to mount.

To force Seaga out of office would require bringing the country to a standstill. It would require both widespread protests that would cripple the economy and political violence. I don't think Manley is likely to try that. Charles obviously thinks so. I would give the JLP an excuse to postpone elections indefinitely or to invite foreign troops. But if his speculation is wrong can Charles not be accused of a kind of self-fulfilling act of destabilisation by frightening people about events that might very well never occur?

## Frightened government?

If there is any threat to stability it is a frightened government whose mass support has been eroded but seeks to hang on to power waiting on a miracle.

When the JLP demanded and got an election in 1980, Mr. Seaga, Mr. Charles and others made the case on the grounds that the PNP policies had failed and the popular mandate needed to be renewed at the polls. They knew that public opinion had turned against the PNP and pressed for elections in the national interest because the PNP government had lost genuine popular support. Mr. Manley did not arrogantly resist the claim as Seaga and Charles are now seeking to do on the flimsy legalism that the constitution leaves it up to the Prime Minister to make that decision.

Now that the boot is on the other foot and it is the JLP that has run out of genuine popular support and it is the JLP's policies that are seen as having failed, why is the JLP not behaving as honourably as Mr. Manley did in 1980 by letting the people decide who should govern?

When people have withdrawn confidence in a government how can it hope to govern effectively?

Whether it is greed for power for its own sake or an obsession to wait until a miracle happens, the arrogance of the JLP is a major factor which made the PNP's Wednesday night vigil into a main event attracting 50,000 citizens united in a wish to see the back of Mr. Seaga and his government.

## JLP Shake-up Denial

FL051610 Bridgetown CANA in English 1545 GMT 5 Nov 85

[Text] Kingston, Nov 5--Ruling Jamaica Labour Party (JLP) Chairman Bruce Golding has denied a newspaper report of a planned major shake-up of the party's hierarchy at its annual conference later this month.

THE GLEANER newspaper indicated yesterday that the changes were designed to brush-up the JLP's image, in the face of its diminished popularity because of Prime Minister Edward Seaga's austerity policies, and a feeling that some of the leadership were not pulling their weight.

The JLP's top policy-making arm at a weekend retreat gave the Seaga policies a full endorsement, but THE GLEANER quoted what it said was a source close to the meeting as saying that by not doing enough party work, the deputy leaders gave the impression of one-man leadership in the JLP.

However, Golding said that at no time during the retreat was the issue of reshuffling party posts raised, and branded THE GLEANER story as mischievous.

He noted that the election of officers would take place during the business session of the November 23-24 conference and that as part of the normal preparations, constituency groups had been invited to submit nominations.

This is a normal and necessary part of the democratic process by which officers are elected and it is wrong and unprofessional...to give the false impression that these elections are in any way the subject of bitterness and intrigue, Golding said.

## Manley on PNP Protests

Kingston THE DAILY GLEANER in English 7 Nov 85 p 3

[Text]

The minute a firm date for a General Election was announced, the need for demonstrations and other forms of peaceful and Constitutional protest would disappear, according to the President of the People's National Party Mr. Michael Manley.

He was responding to the JHTA's concerns about the PNP's vigil last week in a letter to its President Gordon "Butch" Stewart.

Mr. Manley said that the JHTA should direct their concerns to the person who was creating the present difficulty by his "obstinate refusal" to protect the democratic rights he swore to uphold as Prime Minister.

"If it is your feeling that peaceful and Constitutional protest aimed at

the restoration of democratic principles is bad for the Tourist Industry,"

Mr. Manley said, "I would be obliged to disagree with you while respecting absolutely your rights to your opinion."

Mr. Manley pointed out that while he thought Mr. Stewart's comments might have been well intentioned, he thought them nevertheless "misconceived and misdirected."

He drew attention to the fact that although the estimates of the crowd at the meeting, vigil and the demonstration ranged between 50,000 and 80,000, the protests were conducted with exemplary discipline and passed without a single incident to disturb the peace.

Mr. Manley reminded the JHTA President that five years had passed without the Jamaican people having the opportunity to express their democratic feeling in the form of a vote of approval or disapproval of the manner in which the affairs of the country were being conducted.

"As one who upholds democracy," Mr. Manley said "I would have thought that your voice would have been foremost in calling for the observance of democratic principles in our country and for an end to the one-party Parliament which sits like an irrelevant shadow across the fair countenance of our democratic history as a country."

## Manley on 'Threat to Democracy'

Kingston THE DAILY GLEANER in English 11 Nov 85 p 1

[Text]

People's National Party President Mr. Michael Manley has warned that the action of Prime Minister Edward Seaga in not calling elections now that the PNP has said they are due, posed a "threat to democracy" in Jamaica.

Mr. Manley stated this position as he addressed some 60 religious leaders of various denominations at the Courtleigh Hotel on Wednesday.

"If we don't get elections," he declared, "there are going to be many more statements."

He challenged the religious leaders to let their voices be heard on the principle that elections should be held, now that five years had passed since the people were given the chance to select the Government of their choice.

Accompanying Mr. Manley in the talks with the Churchmen were the Party's Vice President and Shadow Minister of Public Utilities and Transportation, Mr. Bobby Pickersgill; the Shadow Minister of Construction, Mr. Easton Douglas, and the Constituency Representative for Eastern St. Andrew, Mr. Ossie Seymour.

The PNP President warned the

clergy that what Mr. Seaga was attempting to do by deferring elections for up to three more years posed a serious danger for democracy in Jamaica.

Mr. Manley also drew to the attention of the religious leaders the view that was frequently expressed that when there was a fundamental political issue there was a tendency for some people to refrain from speaking because it meant becoming involved in politics.

"But if you and all the other leaders of our countries do not speak out because it will be interpreted as being politically partisan, you are placing a great burden on us to continue demonstrating our concern — because we cannot shrink from our duty to democracy."

Mr. Manley said the PNP did not assume the arrogance of believing that the Party should, as of right, lead the country; only the people had that authority and right to say so. What could not be right, however, was for Mr. Seaga to defeat the principle of democracy in Jamaica, he said.

It would, he emphasised, be a massive defeat of democracy if the people were denied their moral right

for eight years to vote for the Government they chose.

The current attitude of Mr. Seaga, the PNP President said, could lead to dangerous implications for Jamaica.

"One of the great strengths of democracies is that the system provides people with various stated periods for the renewal of their faith, optimism and commitment, and one of the things which give democracies extraordinary stability is to take counsel from the people from time to time, to listen to their views, and allow them to express their decision by vote," Mr. Manley suggested.

The only national mandate received by Mr. Seaga was in 1980, he declared. No such mandate was given to him by the people of Jamaica in 1983.

Mr. Manley said the demonstration in Kingston at the National Heroes Park and bank of Jamaica on October 31 and November 1 was not a threat. It was a statement, expressed with exemplary discipline and perfect peace, to those who wanted to hear from the people.

He added: "I say that the right of the people of Jamaica to vote after five years is not a matter of politics. It's a matter of principle."



## Seaga Domestic Tour

Kingston THE DAILY GLEANER in English 11 Nov 85 p 3

[Text] Prime Minister and Jamaica Labour Party (JLP) leader Edward Seaga is to go on an island-wide tour next month in order to "see at first hand and discuss in details" with Parish Councillors and divisional caretakers of his party the problems and concerns affecting their divisions.

A release from the JLP last night at the conclusion of the party's retreat held over the last two weekends said Mr Seaga made the announcement while addressing the final session of the retreat. It quoted Mr Seaga as saying he would be looking at "ways and means of assisting" Parish Councillors in improving services in their divisions while examining the implications of the restructuring of Local Government services with them.

The Prime Minister's announcement was greeted with enthusiasm from the gathering which also comprised Senators, Members of Parliament and members of the Central Executive.

Among the items on the agenda discussed was the upcoming launching of the Caribbean Democratic Union proposed by Mr. Seaga at the meeting of the International Democratic Union, for like-minded parties in the region to form their own body, the release said.

Mr. Seaga reiterated the Government's commitment to the development of agriculture, tourism and the manufacturing sector as a strategy to offset the dramatic decline in bauxite earnings. He elaborated on the many social programmes initiated by the government for the benefit of youth, the aged and the poor and to cushion the initial hardships of some of government's programmes, the release said.

These he cited as the national school feeding programme, the provision of textbooks for primary school children, the food stamp programme, the construction of the Golden Aged Home as well as the Human Employment and Resources Training programme (HEART) and the Solidarity programme which is to be launched soon.



## Manley Promises to Private Sector

Kingston THE DAILY GLEANER in English 12 Nov 85 p 3

[Text]

President of the People's National Party, Mr. Michael Manley, yesterday assured scores of private sector representatives that his Party had built "very strong bridges" of co-operation with the United States of America.

Mr. Manley who was addressing the sector on the PNP's social and economic plan in an informal exchange at the Jamaica Pegasus Hotel, declared that he himself was a member, of the private sector and he knew the problems the sector faced in the economy at this time.

In a frank talk to the group represented by the heads of the Jamaica Manufacturers Association, the Jamaica Exporters Association and the Private Sector Organisation of Jamaica, Mr. Manley sought to allay their fears on the question of relations with the United States of America.

"We don't intend to get into the mood of hostility and misunderstanding that marked relations with the U.S.," he said, referring to the previous PNP administration when, according to him, "pure rhetoric" characterised relations with the sector.

He assured the group that he and other officers of the Party had been visiting Washington frequently, holding meetings with Secretary of State George Shultz and other key members of the State Department.

Mr. Manley hammered home his theme of dialogue with the sector in all areas of the economy as he said: "We don't regard the policy as written in tablets of stone." Another PNP Government would be open to suggestions which fit into the overall conceptual framework of the policies.

Dealing with the proposal for the setting up of a National Planning Council (including the private sector, Government and the Civil Service),

Mr. Manley recalled that talks with the sector were initiated in 1979 but he said that this process was not given time to work; however, the fact that this was so did not render the approach unworkable.

He told the representatives that the PNP would ban certain items and fix the rate of exchange, following a comprehensive explanation as to why the auction system was not working and leading to the loss this year of U.S.\$500 million this year.

Mr. Manley dismissed deregulation as a process which he said was putting the economy back into the crisis it should get out of. He proposed that his Government, committed to protection, would protect local producers so that they could broaden their home market. This was not, he said, denial of the objective to export.

The PNP would also selectively ease credit; manage the interest rates and restore Caricom trade which was an important tool in the integration process.

Mr. Manley said that the structure of taxation was very negative in its impact on the producer.

Earlier in the presentation, he pledged the party's "unending and undying" commitment to the essential elements of a mixed economy; as well as its commitment to democracy and the rule of law.

Turning to the party's call for elections now he spoke of the intentions of the framers of the Constitution with respect to election every five years, declaring: "The PNP will not accept that Jamaica will be made to wait eight years. If it will have to be done, it will have to be done by brute force. I deeply regret it because nobody knows like me the problems of the country."

Mr. Manley's presentation was greeted with a prolonged applause in the almost filled Pegasus Ballroom.

## Manley on Economy

FL122325 Bridgetown CANA in English 2151 GMT 12 Nov 85

[Text] Kingston, Nov 12--The socialist opposition leader Michael Manley predicted that Jamaica would record a trade deficit of over U.S.500 million dollars for 1985, saying this was indicative of the failure of the conservative government's economic policies.

In an address to business leaders last night, Manley said that Jamaica was coming to the end of the third year of the purist administration of monetarist economics in the Third World which, according to the theory, should have had the economy in shape with all the indicators pointing in the right direction.

But in 1985, after all the madness, we are going to show a negative trade balance of 500 million dollars, the leader of the People's National Party (PNP) said.

According to Central Bank figures at mid-year, Jamaica was showing a trade gap of U.S.289.012 million dollars, and the government's planning institute had warned that to meet IMF balance of payments targets would require either accelerated contraction of imports or a rapid increase in earnings. Many financial analysts here do not believe that either have happened to the required extent.

Manley stressed that between 1976-80, when he was prime minister, Jamaica had been able to keep its negative trade balance at an average 11 per cent a year. That was not a bad record for a non-oil exporting developing country, he said, bearing in mind the rapid increases in oil prices that was taking place.

At the same time, the country's foreign debt had grown to U.S.1.5 billion dollars, or 75 per cent of GDP, and was a source of serious worry for the administration.

But between 1981-84 under Seaga, he said, the negative trade balance had run at an average 70 per cent a year, and the resulting leakage of foreign exchange had caused the foreign debt to scurry to U.S.3.4 billion dollars.

About 50 per cent of the country's foreign exchange earnings was now being used to meet debt payments and 42 per cent of the fiscal budget was going towards finding that foreign exchange.

Government spokesmen often blame the serious contraction of the bauxite/alumina industry in the last few years as the main cause of the economic difficulties.

Manley, however, ascribed the difficulties mainly to the government's policy of deregulation, which has opened the Jamaican market wide to imports, and the failure of the demand management mechanisms of tight credit and unpredictable devaluations through a hard currency [word indistinct] system.

Confidence by the private sector had been sapped by a government that had all the rhetoric for the sector, he said.

The falling value of the local dollar had not led to any rapid expansion of exports because of the elasticity and structural limitations of the Jamaican economy. At the same time, the rising dollar cost for imports had put local manufacturers under pressure.

Manley promised that a new PNP government will give pragmatic protection to local manufacturers, but would attempt to curtail the bureaucratic entanglements of his previous administration.

To do this, the government would for a time put an outright ban on some products, place high tariffs of some luxuries and then a more manageable amount of imports under licenses.

The government would then fix an exchange rate and would have the courage to change it when necessary to ensure the maintenance of export competitiveness.

It would also have a structured lifting of the credit squeeze to allow companies here to get back to the job of production.

The PNP leader conceded that there would be a measure of inflation from the policies, but said that this was a trade off from the present system where there was a cost push [as received] inflation in a stagnant economy with deep social consequences.

Manley also promised that a PNP government would seek to return Jamaica actively to the Caribbean Community (Caricom) market, on which he claimed the Edward Seaga government has turned its back.

Caricom was an extension of Jamaica's home market, he said, and to run away from the region was a tiresome betrayal of history which called toward integration.

The problem of the Caribbean, Manley said, was how to make the mini state work, and fundamental to this was the process of integration and deepening economic cooperation. He declared: That is the logic of history (and) that is the way we must go. Not to work for that, to me, is madness.

#### Seaga 'No' to Elections

FL251830 Bridgetown CANA in English 1738 GMT 25 Nov 85

[Text] Kingston, Nov 25--Prime Minister Edward Seaga has again ruled out a general election this year and says he will blame the opposition if the economy is harmed because of agitation for an early poll.

In the closing speech at a convention of his Jamaica Labour Party (JLP), Seaga threatened that if the opposition People's National Party (PNP) continued to press hard for an election, he would be minded to give them the government and then take to the streets to bring about their early collapse.

The PNP, currently well ahead in opinion polls, boycotted the last election two years ago because an old voters' list was used and agreed reforms were not implemented. It has called for elections before year-end.

Additionally, local government elections, twice postponed by Seaga, are due by year-end.

The electoral Advisory Committee, made up of members of both the JLP and the PNP and independent members, is currently working on boundaries for the reduced municipal seats.

We are not ready for elections yet, Seaga declared. When we are ready, we will call them.

In a reference to the opposition campaign, he said that should anything happen to the economy, he would place the blame squarely on the opposition.

Added Seaga: If they pressure us and make life unbearable...don't be surprised if I recommend to the Jamaica Labour Party--give them the government, we take to the streets and they will be back where they were in two years.

#### Seaga on Economic Reforms

FL251840 Bridgetown CANA in English 1706 GMT 25 Nov 85

[Text] Kingston, Nov 25--Prime Minister Edward Seaga has promised Jamaicans income tax and price reductions.

The tax reform package will cost the government between J180-200 million dollars (one J dollar:18 cents U.S.) in revenue, which Seaga said will be made up by catching previous tax dodgers and other new measures to be implemented over the next four months. Those who did not pay taxes will have to pay now, the prime minister declared.

Seaga made his promises last night at the closing of the annual conference of his ruling Jamaica Labour Party (JLP), which had endorsed the austerity policies of his five-year-old government.

The issue of taxes has been long on the agenda, and experts here have often argued that the bands for graduating payment were too narrow, making Jamaica the second most taxed country in the world after India.

The price reductions will result from the recent strengthening of the local dollar against the U.S. dollar. Seaga predicted a stabilising of the exchange rate, which had been in a rapid nose-dive until a recent pullback.

Seaga said that a report from a tax reform committee will be tabled in Parliament tomorrow to allow for debate and institution at the start of the new year.



He said that the reform package will go a long way toward satisfying the demands of groups such as teachers, nurses and the police, which had rejected government's 10 per cent wage increase offer. We expect that when they see these new rates, they will be to a large extent satisfied, the prime minister said.

Seaga defended the government's recent strong intervention in the parity-fixing foreign exchange auctions here to push the exchange rate for the U.S. dollar from the J6.40 dollars it had reached in October to the present J5.50 dollars.

He implied that he had had a fight with the IMF over the issue, but had eventually prevailed.

The difference is to learn to deal with the IMF and not run away, he said, in apparent reference to the former Manley government's 1980 break with the fund. Added Seaga: The people can now settle down with an exchange rate that is stable and can plan their future in a stable manner.

He said that during the period of the rapid fall of the Jamaican dollar, many products had been priced at the high end of the scale, which was no longer relevant now that it had been strengthened.

A meeting had been planned with merchants this week to discuss the rolling back of prices and I expect cooperation, Seaga said. If the prices are not right, I have a problem and they are going to have to roll back, he said.

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CSO: 3298/181

SEAGA DEFENDS MEDIA POLICY, RAPS GLEANER CAMPAIGN

FL261610 Bridgetown CANA in English 2057 GMT 25 Nov 85

[Text] Kingston, Nov 25--Accusing the GLEANER Newspaper Company of running a vulgar campaign against his new media policy, Jamaican Prime Minister Edward Seaga said the company would be granted a licence to operate a radio or television station "over my dead body."

THE GLEANER, which runs the lone daily newspaper here, has long been seeking a licence to enter the electronic media, but a recent media policy announced by Seaga precludes existing media organisations from launching radio and television services.

The GLEANER Company now wants to own 100 per cent of a radio station and 100 per cent of a T.V. station--"over my dead body," Seaga declared.

Under the policy, the government is leasing the AM service of the state-owned Jamaica Broadcasting Corporation (JBC), as well as the morning segment of JBC's television service. Three small regional radio stations owned by JBC are also to be leased.

However, in all the operations, the government will retain a 25-per cent share.

THE GLEANER has been very critical, in statements by its chairman, Oliver Clarke, editorial comment and a series of full-page statements, of the policy which it claims maintains a government stranglehold on the electronic media.

Seaga told a conference of his Jamaica Labour Party last night that THE GLEANER had been running a vicious and vulgar campaign against the government over the issue, but that he would not bow to threats.

THE GLEANER newspaper had given strong support to Seaga while he was in opposition, and had criticized the socialist policies of the former Michael Manley government.

Seaga said his media policy was to allow a wider spectrum of ownership of opinion-forming organs and not concentration in a few hands.

He said the GLEANER Company already--THE DAILY and SUNDAY GLEANER and several other publications, and that one man--(whom he did not name)--wanted to own everything.

[A typical full-page ad of the type criticized by Prime Minister Seaga appeared in THE SUNDAY GLEANER of 3 November, page 11. The text of the ad reads as follows:

Why This Hypocrisy?

The government's media policy statement declares!

"The objective here Mr. Speaker, is to ensure that in the national interest a wide variety of private views and opinions of Jamaicans may be published without the dominance of one or very few such views in controlling positions." Why this pretense when the government will be remaining in effective control of all of radio and television broadcasting and in this way ensuring that the views held by this or any government can be made dominant on radio and television at any time it chooses to do so? Why this blatant hypocrisy? Government Control of Radio and Television Encourages Political Abuse of Broadcasting!

[A Message in the Public Interest from The GLEANER Company Ltd.]

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CSO: 3298/182

## SEAGA REPORTS TO PARLIAMENT ON STATE OF ECONOMY

## Divestment Policy

Kingston THE DAILY GLEANER in English 4 Nov 85 p 10

[Text]

The National Investment Bank of Jamaica is to be vested with the ownership of commercially operated public enterprises and will offer shares on an annual basis, to overcome the problem of divesting public enterprises whose value was too substantial for straight divestment.

This was stated by Prime Minister Edward Seaga Wednesday night in his statement to the House of Representatives on the economy after five years of his leadership. Mr. Seaga said that there were many large-scale public enterprises, which were not on the list of 50 entities to be divested, which Government considered suitable for divestment, but the value of which was so substantial that straight divestment of ownership would either prove too much for local capital, or would prove to be a non-productive transfer of private capital to the public sector.

To overcome the problem, the NIBJ will be vested with the ownership of the commercially operated public

enterprises and would offer shares in NIBJ on an annual basis, using convertible instruments so that those cautious investors could secure a return of interest on their investment at first, while deciding to convert to share ownership, later, if desired.

This would have several benefits, he said, including:

- Fresh capital would be raised annually on a co-ordinated basis for development of those enterprises;

- Sale of equity in regular amounts would ensure that divestment occurred in a gradual and orderly way, without upsetting the market;

- By selling shares in the NIBJ, rather than individual companies, the profitable and not-so-profitable enterprises were marketed at the same time;

- By marketing shares through NIBJ, or subsidiary groups, ownership would be spread through the population at large and not restricted to a small select group with available capital, as would be the case in direct sales.

He said that the policy, understandably, had

not found favour with some interests and organizations who had anticipated that Government would have made profitable Government operations available to them for direct purchase, and it was expected that they would react publicly by condemning the more equitable approach which the Government had adopted.

"Government, to them, must take investment risks, and when the investments are proven profitable, divest to private ownership," he said.

However, such an approach defeated every objective of true entrepreneurship, which was the basis of the Government's ideological commitment; where investment takes risks for a reasonable return.

"Government's policy is to encourage risk-taking ventures, and that is why we pursue, in appropriate instances, joint ventures to share the risk during the initial stages of the investment. Government's policy is also to transfer ownership to the public when such ventures have proven themselves.

"In so doing, it is not the intention to reward financial interests who sit back and fail to share in the risk ventures expecting only to reap reward; rather, it is our policy to divest to the public through the Stock Exchange on as wide a basis as possible, where all may participate including the non-risk-takers. Hence, we exclude no one, nor do we include only some.

He said that the public could feel satisfied that the group of entities to be transferred to the NIBJ were all being made profitable. Not because it was a prerequisite for divestment, but because each enterprise must be capable of generating resources sufficient to pay all operating costs, service debt and provide a significant portion of the financing required for their own capital development, from their own earnings as any other successful business was required to do.

In carrying out its policy of divestment, the Government had avoided the sale of major assets: "This is not a rigid position as there will be cases where it is not considered vital that the assets should remain in public ownership in the national interest. Hence, we have avoided the sale of hotels and large tracts of commercial land for agricultural and other purposes, preferring to lease these properties for private investment, while ensuring that the assets remain as a valuable bloc of resources, in the national interest.

"Commercial-size properties, for instance, are very scarce, and our policy is to lease rather than sell such land. This we have been success-

fully doing through a new commercial-type lease agreement which has proven acceptable to financial institutions.

"Soon this entire programme of leasing commercial-type land for agriculture will be complete, as we move into production of rice, corn, soya, fish, winter vegetables, horticulture, dairy and beef production on a large scale.

"On the other hand, non-commercial type land is not scarce and is best cultivated in small parcels by small farmers. Our policy is to sell, rather than lease these parcels to small cultivators, as distinct from the policy of the last Government, which was to lease not sell, small lots of land to small farmers for agricultural purposes."

He said that 34,000 acres had been sold to small farmers, since implementation of the programme in 1982, and 40,000 acres were being processed for sale, in keeping with government's policy of land distribution to landless farmers.

The programme of divestment or privatisation had been extended to include services performed by Government, hence the privatisation of garbage collection in Kingston, which was working successfully.

Some 50 Government-owned assets had been or were being transferred to private sector operation by way of sale, lease or management.

They included hotels, industry, service, agricultural operations, mining, broadcasting and other entities.

"We have already completed one-third of this programme and are well advanced in transferring the remainder. All hotels, save one, had been leased to private operators and loss operations made profitable," he said.

The sugar estates owned by Government which will remain in sugar are being managed by a private company on Government's behalf and have already begun to show a turn-around.

Other ventures, likewise, such as the loss operations of the 30,000-acre Midland property, the island's largest cattle operation, had been divested and had ceased to be a drain on the Government's resources, as was the case with urban transportation.



Kingston THE DAILY GLEANER in English 4 Nov 85 p 11

[Text]

"The Government is determined that the protection offered by increased import duties should be at a level which would protect the local producer from cheap imports dumped on the world market at artificially low prices, as well as protect consumers from low quality local production and unreasonably high prices.

This was stated by the Prime Minister Edward Seaga in his statement to Parliament on the economy on Wednesday night.

Dealing with the issue of import controls, Mr. Seaga said that prior to the introduction of decontrol, the mechanism for controlling imports left decisions concerning the types and levels of imports in the hands of persons who were neither producers nor traders, but members of the bureaucracy.

It was hardly surprising in those circumstances that decisions were made which did not affect an allocation of resources which could bring the best returns to the economy.

Today, all that was thankfully behind, with responsibility restricted to the remaining essential items still under import control, by comparison with the over 5,000 traded items which had been freed from import control.

"Mindful, however, of the need for local production to receive a justifiable measure of protection from imported goods, we imposed an additional stamp duty of 30% last year on all consumer goods, 20% on capital goods and 10% on raw materials.

"At the time of announcement I indicated that this step would be taken on completion of the study of comparative advantage and incentives. We had to proceed in advance of this study because of the need for additional revenue for the current financial year. On completion of the study, adjustment of tariff rates will be made to afford local producers a competitive edge over importers.

"In the interest of the consumer, a balance has to be maintained so as to ensure that the local producer does

not, as has been the case in several instances in the past, take unfair advantage of a captive domestic market.

"We have all, at one time or another, been faced with the shoddy production arising from an approach on the part of certain producers who, knowing they have a captive market, have upgraded neither their technology nor their equipment to produce better quality goods at better prices.

"Now that Government's policy has given the consumer a choice, many have taken steps to make their products competitive—there are still a few who have not. These few cling to hope that the threat of closure of operations will force the Government to revert to the days of unreasonable level of protection, albeit at the expense of the consumer.

"The Government recognises that a small number of backward producers may cease operations because of the approach which they have adopted, but equally this makes room for others to step in to produce the same products on a basis of better quality at more competitive prices."

The fact that relatively few complaints had been received since the imposition of the additional stamp duties in June, was in itself an indication that the balance had been achieved in the great majority of cases. Such complaints as had been received were being dealt with.

"All the agricultural products which needed tariff protection have been assigned both "shadow" prices as well as higher tariffs. Manufactured goods requiring this treatment have been investigated and the results are shortly to be implemented. However, the comparative advantage and incentives study will be completed in a few weeks and at that time adjustments may be required to reflect the findings of this study.

"When that is done, we will have completed the exercise of replacing the quota and licensing system of import controls with a system which uses our scarce foreign exchange resources more efficiently, and still allows a balanced measure of protection to both producer and consumer.

He said that the proof of the better value for money which the system offered was to be seen from the fact that although the level of imports in 1980/81 was U.S.\$1201 million, as compared to a much reduced 1985/86 level of U.S.\$1098million, the long list of shortages which plagued the 1980 period did not exist today; because, the decision on what imports were really necessary was made by the forces of the market place which traded in those imports, rather than by the bureaucracy of Government, which did not.

"We must, therefore, beware of those who today use the complaint of the few inefficient producers who cannot adapt to the production of goods at reasonable prices and quality to give support to the return of the licensing system, as a means of protecting the few at the expense of the great majority.

"To seek a return to the import quota and licensing system is to return to inefficient use of our scarce foreign exchange and to corruption."

#### Carl Stone Assessment

Kingston THE DAILY GLEANER in English 4 Nov 85 p 8

[Text]

AS THE curtains have come down on five years of Mr. Seaga's administration both the JLP and the PNP have attempted in different ways to assess the failures and successes of the Seaga administration. Both assessments are necessarily self-serving. It is therefore incumbent on those of us who are less blinded by partisan biases to make our own assessment.

Seaga's administration got off to a running start in 1981 by restoring growth to an economy that had been consistently sliding backwards under Manley's leadership in the 1970's.

Massive inflows of loans (following the endorsement of Seaga by Reagan), the promise of the CBI opening to the U.S. economy to drive

export expansion, hopes for large inflows of foreign investment and a large increase in bauxite-alumina earnings and a new upbeat sense of confidence by the local private sector all boosted Mr. Seaga's confidence that he could turn Jamaica into a showpiece of successful Third World capitalist management. By the end of 1981 Mr. Seaga was beating his chest at how easy it was to install good capitalist management in place of socialist mismanagement. The dramatic fall in the rate of inflation in 1981-82 was trumpeted worldwide as a kind of economic miracle that was seen as just the beginning of many more such miracle policies which Mr. Reagan's protege would unfold from his financial wizardry.

But Mr. Seaga got drunk on these early successes to a point where he lost touch with reality. The adverse trends evident to any objective observer were brushed aside as unimportant while mountains of trivial doctored statistics were marshalled to convince us all that an economic miracle was in fact unfolding in Jamaica. Before the end of 1982 it was clear to any objective observer that Mr. Seaga's and his policies were heading for a fall because his analysis of the problems was much too superficial, his prescriptions were not carefully thought out and his excessive optimism raised expectations that would be shattered when the reality of economic roadblocks emerged.

### **Last laugh**

Long after it was clear to any reader of international journals that the world recession was about to savage the international metals market and throw bauxite-dependent economies like ours into severe problems, Mr. Seaga was predicting massive increases in bauxite export earnings and making fun of the PNP's efforts to sell the stuff to the Soviet Union in the 1970's. But the PNP was to have the last laugh as when the bottom fell out of international demand for bauxite Mr. Seaga's government held on to that Russian bauxite deal as if it were life itself.

Mr. Seaga promised cheap prices, adequate supplies and imports, growth and accelerated rates of increase in employment. How did he hope to do this?

Loans and external financial supports restored our credit-worthiness with overseas markets. As a result imports grew rapidly as the supermarket and other shelves (empty

from the 1970's) were quickly filled with a bewildering variety of imported goods.

Export promotion through the CBI was supposed to increase our earnings enough to enable us to afford this higher level of imports. As Mr. Seaga insisted, if the country wanted economic growth we had to provide imported consumer goodies to motivate greater work effort.

### **Price revolution**

Opening up the economy to the free and unfettered inflow of imports was designed to keep prices low and ensure adequate supplies. A virtual price revolution was promised as one of the fruits of the open economy strategy. We were told daily that many prices might even go down as the strategy of increasing supplies forced market prices downwards.

Foreign investment was expected to refuel our slow economic engine sufficient to move into high gear.

Mr. Seaga boasted constantly that he would not devalue the dollar as there was no need to. Indeed, the strategy of keeping prices down demanded a stable rate of exchange or at least one that avoided increasing the cost of the U.S. dollar. He kept that promise right up to the end of October, 1983 by which time IMF pressure and the collapse of bauxite earnings forced him to devalue.

Underlying Mr. Seaga's policies was a notion that if he could use over-supply through heightened import levels to hold down prices, he would consolidate support among Jamaican consumers who were shattered by the inflationary flights, shortages and black markets of the 1970's. Satisfied consumers would mean a sustained majority, popular political support which would give him time to get his recovery policies working and put Mr. Manley and the PNP opposition to flight.

Before the tiny PNP opposition left the parliament in 1983 in the ill-fated uncontested 1983 election, they had warned Mr. Seaga about the errors of some of his policies and predicted that the result would be economic chaos.

Mr. Mullings in particular spared no words in pointing out some of the obvious contradictions of Mr. Seaga's policies.

Imports were growing by leaps and bounds but export earnings were not, with the result that the trade deficit was getting to alarmingly high proportions. Increased imports threatened both farmers and manufacturers with serious implications for loss of jobs. The abandonment of PNP self-reliance policies in agriculture was criticised as short-sighted and foolish.

Deregulation of the economy was seen by the PNP as an invitation for the rich to exploit the poor and for resources to be used in activity that would not maximise national development. The rich were getting richer and the poor poorer.

The PNP criticisms echoed sentiments that by 1985 became part of the popular view of Mr. Seaga's policy failures although they were initially brushed aside by him as misconceived.

The collapse of bauxite earnings forced Mr. Seaga to abandon his growth strategies and to push austerity measures to cool down the economy and adjust it to a lower level of imports and public spending. The harshness of these policies (massive redundancies, credit squeeze, devaluations, cut-backs in social services etc.) sent adverse shock waves throughout the economy and generated a ground swell of hostility to Mr. Seaga from consumers, workers, housewives, entrepreneurs, trade unions, farmers and students as survival pressures multiplied overnight.

Mr. Seaga had clearly underestimated the depth of the problems facing the economy and exaggerated the ease with which solutions could be found. As a result his credibility has been shot in every sector of the society. Having gone down the wicket with adopted World Bank and

IMF policy strategies he now seeks to extricate himself by pleading so long after the event that the IMF medicine was too harsh.

Where was his sense of what was happening to the country when the people were writhing in pain from austerity pressures? His wife was obviously dead right when she suggested recently that Eddie really does not understand these kinds of issues.

## Two sides

There is both a positive and a negative side to Mr. Seaga's economic policy leadership. He has not flinched from taking unpopular action when circumstances demand and he has taken the blame fully in the hope that time and history will prove him right. That kind of toughness is to be admired. His sense that export growth and diversification have to be a major part of our economic solution cannot be faulted.

But he promised too much, has not listened to heads much wiser than his and has pretended to be in control when in fact he is not.

The problems caused by the loss of bauxite earnings were multiplied by the misguided, free market consumerist policies Seaga was pushing from 1981. As a result he cannot escape blame for having to come down so heavily on the austerity "breaks". What I must say on his behalf is that he has been flexible enough to change policy directions when circumstances changed and to resume policies he had earlier discarded (such as PNP self-reliance food policies). The trouble with him is that his stubbornness and false arrogance that he is the only wise head in the country cause him to see the need to close the gate long after the horse has bolted.

SEAGA: FOREIGN TEAM TO ASSESS STRUCTURAL ADJUSTMENT

Kingston THE DAILY GLEANER in English 11 Nov 85 pp 1, 3

[Text]

**JAMAICA'S STRUCTURAL ADJUSTMENT PROGRAMME** is to be reviewed with "fresh eyes" by a team from the International Monetary Fund (IMF), USAID and the World Bank, following a technical breach of the September IMF test and a request by Prime Minister Edward Seaga for the Fund to "soften the pace and character" of Jamaica's economic programme.

Prime Minister Seaga made the announcement about the visit of the team to Jamaica at the North West St. Elizabeth Trust Fund's 1st Anniversary Dinner at the Terra Nova Hotel in Kingston, Saturday night.

A release from Jamaica House last night mentioning the team from the three donor agencies did not say when the team would visit. Mr. Seaga who said the team would come at his invitation, told the gathering that he had requested them to come not like those who came from time to time in routine manner, but to come as one team so that there wouldn't be different positions of teams from each organization.

He said the team's review would be a weather vane for those countries which had gone the way of Jamaica in trying to restructure their economies to achieve growth and a beacon for those countries which were being encouraged to go that way.

The release from Jamaica House said: "The Managing Director of the

IMF (International Monetary Fund), Mr. Jacques de La Rosiere, has agreed to a joint mission proposed by Prime Minister Edward Seaga, comprising representatives of the IMF, World Bank and United States Agency for International Development (USAID) to meet in Jamaica to review the Government's adjustment programmes as a special case."

"The Prime Minister in outlining the Government's policies and programmes to effect economic recovery despite the rapidly declining bauxite sector, said he was informed two days ago by the Managing Director of the IMF of his agreement to Mr. Seaga's request for the three lending institutions to meet as an integrated team to review the Jamaican case

with "fresh eyes."

"This follows closely on his proposals made at the recent World Bank/IMF meeting in Seoul, Republic of Korea, for a more "humane pace of adjustment" and that countries be looked at on a case-by-case basis as what was required for one country differed from another because of difference in ideologies, policies and resources.

"In Jamaica's case, he instanced, despite the gains in tourism, agriculture and manufacturing, the bauxite/alumina industry was declining at a faster rate.

"This was also reinforced in a letter sent by him, Mr. Seaga said, to the managing director of the IMF outlining all that Jamaica had already done in keeping with the policy requirements now being proposed as the strategy to be pursued by debtor countries throughout the world to stabilise, restructure and deregulate their economies.

"The Prime Minister said he also pointed out the problems of the continuing decline of the bauxite sector against the background of international market forces 'beyond our control.'

"He pointed out that Jamaica needed to be looked at with "fresh eyes" and made the further suggestion that a joint effort between the IMF, World Bank and USAID be made as each of these organisations have a different emphasis on policy.

"It is the first time, the Prime Minister said, that such an integrated approach would be undertaken in any country of the world.

"Prime Minister Seaga observed that the favourable response to sending a proposed 'tri-partite team' was

an indication that the comments and proposals so far made were worthy of attention.

"Mr. Seaga stressed, however, that while the team was reviewing Jamaica's case there would still be a requirement for successful performance and the achievement of targets set under the agreement between the Government and the IMF." and did not mean a relaxation in performance targets.

On his return from an overseas visit, including the IMF meeting in South Korea, in October, the Prime Minister said there had been a "technical breach" of the IMF test for September because funds from USAID which should have come in by the end of September had not arrived because of delays caused by the end of the US Fiscal year. The Government was seeking a waiver, as it had done previously he said.

On October 30, the 5th anniversary of the JLP's 1980 General Election victory, Mr. Seaga, in an address from Parliament carried live on radio and television, said: "Discussions are now proceeding between the Government and the IMF with a view to softening the pace and character of the Jamaican programme bearing in mind the particular misfortune which we have experienced" with the drastic reduction in bauxite/alumina revenues. He said then that the funds from the USAID which had been delayed had since been received.

The North West St. Elizabeth Trust Fund is to assist the constituency programmes of the Minister of Local Government the Hon. Neville Lewis.

The dinner was attended by a wide-cross section of business people and investors in St. Elizabeth.

/8309

CSO: 3298/180



BUSINESSMEN DISCUSS JAMAICAN DOLLAR; PARITY MAINTAINED

Kingston THE DAILY GLEANER in English 7 Nov 85 p 1

[Text] Representatives of the business community are cautious about the recent increase in the value of the Jamaican dollar and have questioned where the pool of foreign exchange in the system had come from.

On Tuesday the Jamaican dollar went up for the third time over a three-week period against the U.S. dollar as the foreign exchange auction cleared at J\$5.80, up 15¢.

A member of the Jamaica Exporters Association (JEA) told the GLEANER yesterday that although he felt that "it was good to see that it (the value of the dollar) had increased...the auction system is really being manipulated...I am frightened for business people."

"Where is the foreign exchange coming from all of a sudden at a time when the tourist sector, our greatest foreign exchange earner is in the off-season? Or is it that we have earned more foreign exchange than we are told about?" he asked.

He felt that the fluctuations in the value of the dollar showed that "the auction system was really being manipulated."

Deputy Governor of the Bank of Jamaica, Mr. Asgar Ally, at a seminar put on by the Jamaica Institute of Political Education at the Government Conference Centre yesterday said that there was nothing unusual about the \$8 million that was put in the auction system and pointed out that there were flows into the system from loans earnings and service payments. He said that the total amount of money went into the pool from which the auction received its supply.

But he said that he could not say how much money was flowing, when and from what source.

He was responding to questions as to "where did the money come from? Did the Government have it and allow the exchange rate to slide to \$6.40."

When asked repeatedly about the source of the \$8 million inflow in the auction system and if the Government had had the money all along and allowed the dollar to slide to \$6.40, he replied that "at the time of determining the pool obviously the resources were there."

Mr. Donald Lyn, General Manager of the Jamaica Chamber of Commerce who also spoke with the GLEANER yesterday said that the present trend was a good one and expressed the hope that the value of the dollar would stabilize at an even lower rate.

"The majority of traders are going to watch and see...all are hoping that by next month we will see some element of stability in it," he said.

"Information on the amount of currency is never available...we don't know what the inflows and outflows of the currency is...", "the problem lies in the fact that we have never before dealt with a floating dollar and therefore don't have the machinery to deal with it."

The Private Sector Organization of Jamaica when contacted was in the process of evaluating their position on the situation and was unable to comment, a spokesman from that organization said.

The amount available for today's auction is US\$3.5 million.

[Bridgetown CANA in English at 1504 GMT on 22 November reported: "The Jamaica dollar maintained its parity at J5.50 dollars for one U.S. at yesterday's foreign exchange allocation and parity-fixing auction run by the Central Bank. It was the second straight auction that the dollar had cleared firm, which finance sources say probably indicates that the government was about satisfied with the exchange rate. The administration had over six auctions intervened to push back the rate, after a four week period of rapid declines during which the exchange rate fell to J6.40 dollars for one U.S. There was still a level of extra government support for the auction, however, the analysts claimed, citing the fact that the money put up for bidding was still marginally above normal without inflows from the winter tourist season not yet on stream."]

/8309

CSO: 3298/184

PNP OFFICIAL KILLED IN ROBBERY, HIGH-LEVEL PROBE BEGUN

Kingston THE DAILY GLEANER in English 12 Nov 85 pp 1, 3

[Excerpts] Mr. Kenneth Witter, 38, insurance broker and PNP constituency representative of south-east St. Catherine, was shot and killed by gunmen at his home at Tara Crescent, in Edgewater, St. Catherine, early yesterday morning.

The killing drew shock reaction from the minister of national security, the Hon. Winston Spaulding; the Police Commissioner, Mr. Herman Ricketts, and the JLP M.P. for the area, Hon. Kingsley Sangster, and PNP leader Mr. Michael Manley.

Mr. Manley said that the news of Mr. Witter's death had come as a "deep shock" to the party and himself.

Assistant Commissioner of Police, Mr. Roy Green, from CIB Headquarters, is heading investigations into the killing.

PIC further reported that as a result of the killing, the Minister of National Security, Mr. Spaulding and Commissioner of Police Mr. Ricketts have put top criminal investigators on the case. They appealed to the public, those who have information on the killing, to give it in confidence to the CIB Headquarters, Kingston.

In a statement yesterday, Mr. Manley said that the killing was a "terrible act" which "has such disturbing implications for the country."

He said that he had recognised in Mr. Witter not only ministerial talent but also one of the country's future political leaders.

"He was young and dynamic, and a hard worker at the constituency level where he had organised and led a team of dedicated colleagues to support him and the party, not merely to win the next elections, but to provide leadership to Jamaica as the government of the country," Mr. Manley stated.

Mr. Witter was chairman of the PNP's Finance and Fund Raising Commission since 1981, and a member of the party's Founders' Day Committee. Mr. Manley and other officers of the party visited Mr. Witter's home and expressed condolences to his family and constituency colleagues.

/8309

CSO: 3298/184

## BRIEFS

MINISTER SAYS AMERICANS FUEL LOCAL DRUGS TRADE--Public Utilities and Transport Minister the Hon. Parnell Charles has charged Americans with fuelling the drug trafficking in Jamaica. "I have information of Americans going into rural districts here, and giving out large sums of money to their contractors to go and plant ganja for them" the minister said during a question-and-answer session which formed part of the Shipping Association of Jamaica seminar at the Jamaica Pegasus Hotel, on Friday, October 31. He condemned the Americans for perpetuating the trade, to the extent that they provided the financing of the ganja projects, the market, and in some cases the transport for the ganja. Mr. Charles expressed alarm at the fact that "60 per cent of the marijuana traffickers are also dealers in cocaine...I know this as a fact," Mr. Charles said, and he viewed it as a dangerous development of the drug network. The minister also spoke about "massive connections" in the drug pushers' ring, and again expressed surprise that the use of hard drugs had now hit the island's middle class. He cited the case of "middle class parties" where he said the drugs were used heavily. Condemning drug pushers for destroying the minds of the youth, and corrupting the society, Mr. Charles swore that he was personally willing to go to prison for any drug pusher if he got his children involved in the use of drugs. On a lighter note, the minister dismissed political rumours which he said tarnished his good name whenever a "ganja airplane or shipment" escaped the watchful eyes of the security forces. [Text] [Kingston THE DAILY GLEANER in English 9 Nov 85 p 3] /8309

HONDURAN POACHING--Forty-six Honduran fishermen allegedly poaching in Jamaican territorial waters last weekend were held by the Jamaican Coast Guard. Their boat was intercepted and seized by the Coast Guard on patrol, about ten nautical miles north east of Pedro Banks on Saturday around 10 a.m. The PIC said the captain, Ernest Hill, and the crewmen were arrested and charged. They are to appear in court this week. [Text] [Kingston THE DAILY GLEANER in English 12 Nov 85 p 1] /8309

PARISH STAFF CUTS--St. Ann's Bay, Nov. 10--Approximately 192 of the present staff of the St. Ann Parish Council are expected to be made redundant by the end of this month. Reports reaching the GLEANER are that employees of the St. Ann Parish Council were notified of this latest staff cut by Council Secretary Mr. Clifton Osbourne during a special meeting on Friday. It was also reported that Mr. Osbourne told the workers that only 18 of the present staff of approximately 210 employees will not be affected by this latest redundancy exercise. Already 407 employees of the St. Ann Parish Council have been made redundant since January as part of government's programme of divestment of Local Government services. Of the amount 362 had their posts made vacant, 37 were asked to retire on the grounds that they have reached retirement age and eight had reached the limit of the retirement age. Meanwhile, employees of the St. Ann Parish Council are reportedly becoming restive following the news of this latest staff cut. [Excerpts] [Kingston THE DAILY GLEANER in English 11 Nov 85 pp 1, 3] /8309

EDUCATION CUTBACKS--The Ministry of Education has closed its five regional education offices and is to effect cuts in the island's tertiary educational institutions because of the slashing of \$73 million from the ministry's budget. But Minister of Education Dr. Mavis Gilmour yesterday declined to give any details, saying that the decision was to be made by Cabinet. Speaking at a special annual general meeting of the Corporate Area Sixth Form Association at St. Andrew High School, Dr. Gilmour said the tertiary cuts would take place before the end of the year, although specific decisions regarding the cuts had not yet been made. Dr. Gilmour told the GLEANER she did not know where the cuts would come yet as the recommendations had to go to Cabinet; and she did not know the extent of the cuts. [Excerpt] [Kingston THE DAILY GLEANER in English 2 Nov 85 p 1] /8309

HYDROELECTRIC PLANT--Construction on a hydroelectric plant estimated to cost approximately \$2.6 million, to be located on Serge Island, St. Thomas, is to begin this month. Plans for the project were discussed between the minister of public service, the Hon. Errol Anderson, MP for Western St. Thomas, where the plant is to be situated, Mr. Bill Saunders, managing director of the Petroleum Corporation of Jamaica (PCJ), Mr. Mladen Horvat, construction manager of Barber Hydraulic Turbine Inc., and Councillor Dudley Barclay, deputy mayor of Morant Bay at the minister's office in New Kingston last week. The project is being entirely funded by the Canadian Government. [Text] [Kingston THE SUNDAY GLEANER in English 10 Nov 85 p 1] /8309

CANADIAN GRANT--Kingston, Oct 29--Canada is providing Jamaica with an additional Can 4 million dollar grant for the Caribbean island to purchase Ottawa's fish products, the government here announced today. A memorandum of understanding to this effect was signed today by Prime Minister Edward Seaga and Canadian High Commissioner to Jamaica Robert Woolham, a government statement said. The grant is in addition to a Can 13 million dollar agreement for similar use, signed earlier this year. Seaga said the new funds which were being provided under exceptional circumstances followed recent talks between himself and Canadian Prime Minister Brian Mulroney. The funds, he added, must be disbursed by the end of March next year. The programme is to be administered by the state-owned Jamaica Commodity Trading Company, which is responsible for the importation, pricing and release of some basic food items on the local market. [Excerpts] [Bridgetown CANA in English 2143 GMT 29 Oct 85 FL] /8309

IDEOLOGICAL ORIENTATION OF SONORA CABINET CALLED ULTRARIGHT

Mexico City EXCELSIOR in Spanish 3 Oct 85 pp 4-A, 24-A, 31-A

[From "Political Fronts" Column, by Guillermo C. Zetina]

[Text] Key posts in the cabinet of new Sonora Governor Rodolfo Felix Valdes reflect the influence of ultrarightist sectors such as the Monterrey Group, the Institute of Upper Company Management (IPADE) and even the Opus Dei. They also show the influence of regional business groups that support the new PAN [National Action Party], such as the Valenzuelas, who were said to have "laundered" dollars through their since expropriated bank.

The list of officials who have never been in a PRI office is headed by Jose Antonio Arce Caballero, the private secretary of Felix Valdes. Arce Caballero has ties to the Valenzuela group, is a member of Opus Dei and is also a former student at IPADE, which is Opus Dei's academic arm. The religious organization has deep roots in Sonora.

The new secretary of industrial development is Horacio Rubio Salcido, a graduate of the Tecnologico de Monterrey. He has lengthy experience in business organizations, has been president of the Business Center of Northern Sonora, and is linked to the Valenzuela group and to the Mazons, who are relatives of Felix Valdes's opponent, Adalberto Rosas Lopez.

The secretary of the state comptroller's office, Jorge Castro Estrada, is also a graduate of IPADE. His resume mentions only that he was a private business consultant and that his sole government post was as interim comptroller of the subway system in Mexico City. The secretary of planning and development, Humberto Valdez Ruy Sanchez, is a nephew of Felix Valdes and a graduate of the Tecnologico de Monterrey; in his defense, however, we should mention that he was appointed director of the state CEPES [Center for Political, Economic and Social Studies] during his uncle's campaign.

The state's treasurer is Gustavo Astiazaran Rosas, another relative of the governor's and also a graduate of the Tecnologico de Monterrey. He is a prominent private businessman, running an accounting firm called "Astiazaran Rosas and Company," which has a partnership with "Toiche Rosas International" and "Galaz, Yamazaki and Company." His connection with the ruling party is that he managed several properties belonging to the family of former President Abelardo L. Rodriguez in Tijuana. He is a member of the loan committees at Bancomer, Unibanco and Banco del Atlantico (the expropriated bank of the Valenzuelas and Abedrops) and owns a network of radio stations.



CHIHUAHUA CANDIDATES; VELAZQUEZ' WORRIES; LEFTIST UNITY

Mexico City EXCELSIOR in Spanish 4 Nov 85 pp 4-A, 28-A

[From "Political Fronts" column by Humberto Aranda]

[Text] Yesterday, in Chihuahua, Guillermo Prieto Lujan, state leader of the National Action Party [PAN], announced that, during the course of these 2 weeks, his party would announce the name of its precandidate for the governorship.

Although the PAN leader made no mention of it, there is certainty in that state that the blue and white party's candidate will emerge from the following list of three: Francisco Barrio Terrazas, mayor of Ciudad Juarez; Luis H. Alvarez, mayor of Chihuahua; and Guillermo Lujan Pena, former candidate for deputy from the seventh district, who represents the "neo-Panistas" in that PAN internal battle.

Correspondent Alejandro Irigoyen reports that the advanced state of PAN's preparations to start the contest for the Chihuahua governorship could hasten the nomination of PRI's [Institutional Revolutionary Party] candidate. In that party, the only ones mentioned as being viable for battling PAN are the director of CONASUPO [National Company for Basic Commodities], Jose Ernesto Costemalle, and Federal Deputy Fernando Baeza Melendez.

Yesterday, PAN representative Prieto Lujan informed correspondent Irigoyen that, on 10 November, the probing among his party's rank and file as to who is to be the precandidate will end, after which the date of the convention from which PAN's candidate for the governorship will officially come is to be set.

Don Fidel's Worry

Deputy Jorge Doroteo Zapata, leader of CTM [Confederation of Mexican Workers] in that state, commented yesterday that Fidel Velazquez is very worried about the situation in Chihuahua "since the setbacks that PRI has suffered," announcing that the top-ranking CTM leader would leave on 17 November to preside over a series of working sessions.

Zapata told correspondent Alejandro Irigoyen that the purpose of Fidel Velazquez' visit is to promote the working sector's political participation, as well as to close ranks around PRI during the elections for the change of governor next year.

Deputy Zapata noted that, in the state capital, Velazquez will preside over a special state convention, attended by all the state, regional and local leaders, and will also give lectures to guide the workers "from the historical, philosophical, social and political standpoint."

#### The Crisis Unites the Left

For the first time in a long while, the left appears to be united by common views regarding economic policy.

After the intense disputes between PSUM [Unified Socialist Party of Mexico] and PST [Socialist Workers Party] during the last elections for federal deputies, the clashes between the former and PPS [Popular Socialist Party] during the same electoral period and other incidents which underscored the disunity, the left will be apparently showing a single front at the consultation which the Chamber of Deputies is opening this week in Baja California concerning the foreign debt.

According to their most recent statements, PSUM, PST, PPS, PRT [Revolutionary Workers Party] and other groups of that persuasion agree that Mexico should declare a moratorium on the payment of the debt, are opposed to our country's entry into GATT [General Agreements on Tariffs and Trade] and demand a reorientation of the government's economic policy.

Observers point out that PPS, whose policy has always been one of support for the governments during the past 6 years, has become one of the sharpest critics of the policy pursued during the last 6 years by those in charge of the country's finances and economy.

2909

CSO: 3248/73

PRI INTERNAL DEMOCRATIZATION ENDORSED BY LUGO VERDUZCO

Mexico City EXCELSIOR in Spanish 30 Oct 85 pp 4-A, 28-A, 29-A

[From "Political Fronts" column by Humberto Aranda]

[Text] The direct consultation of the rank and file for the designation of candidates for municipal mayors is a procedure which, overcoming inertia, fear and resistance, has become widespread, and the intensification of PRI's [Institutional Revolutionary Party] internal democracy is an irreversible process.

This statement was made yesterday by Adolfo Lugo Verduzco, chairman of PRI's National Executive Committee, upon swearing in his party's 56 candidates for mayor in San Luis Potosi.

He remarked: "Our concept of democracy is active," claiming that, "Despite difficulties, obstacles, pressure and lack of understanding, the governments that have emerged from PRI's ranks have managed to maintain and enhance the democratizing process in national life."

At a ceremony which took place in the San Luis Potosi capital, Lugo Verduzco added that, at the order of the PRI members at its 12th National Assembly, "our party assumed the commitment to intensify its internal democracy, in complete consistency with President Miguel de la Madrid's intention of progressing with the society's total democratization."

He said that, in fulfillment of this purpose, PRI has subjected itself, without dogmatism, to a revision of its political procedures and practices, with a great willingness to improve attitudes and behavior, in order to effectively affirm its doctrinal principles in the realm of the social reality in the country's different federative states.

Stressing that the intensification of PRI's internal democracy is an irreversible process, he emphasized that, "This means committing itself to the principles and rules of political activity which make the action of internal forces possible without harming the party's basic unity."

He underscored the fact that attacks against internal unity and democracy, based on factional interests or inability to heed the fundamental principles

and rules are tantamount to attacking the party; and he expressed the view that, "Those who cannot understand the unity and discipline that the contest requires would irrevocably put themselves outside the revolutionary ranks."

Lugo Verduzco noted that, with San Luis Potosi, there are now 13 states in which the PRI candidates for mayor's offices have resulted from consultations of the rank and file.

2909

CSO: 3248/73

FORMER BODYGUARD OF DURAZO MORENO SON ATTACKED

Mexico City EXCELSIOR in Spanish 30 Oct 85 p 43-A

[Text] A former bodyguard of Jesus Durazo (son of Arturo Durazo Moreno) was wounded by 18 bullets shot at him; but nevertheless, the physicians treating him managed to save his life.

Omar Gomez, aged 24, currently a volunteer first aid worker for the Red Cross, was hit by the bullets from submachine gunfire inflicted by six individuals who were riding in a Ford Maverick car without license plates.

The vehicle stopped briefly in front of Omar, who was conversing with Jose Garcia Mota, one of the Red Cross ambulance heads; and just then the 18 shots were heard.

Before activating their weapons, the attackers shouted: "Omar, you know too much!" and began shooting at the first aid worker.

Garcia Mota emerged unharmed, because he threw himself on the ground.

The culprits continued their driving, and no one was able to stop them.

Companions of the injured man immediately took him to the Red Cross facilities, where he underwent surgery. His physical condition is very critical.

The Red Cross Public Ministry agent said that, despite the injuries, the wounded individual is out of danger.

The incident took place at 1450 hours yesterday, at the corner of Benito Perez and Homero, in the Colonia [urban community] Polanco, opposite the facilities of the benevolent institution.

2909

CSO: 3248/73

## RELEASE OF FAZ SANCHEZ FROM DETENTION STIRS ANGRY THREAT

Mexico City EXCELSIOR in Spanish 8 Oct 85 STATES section pp 1, 4

[Article by Jesus Victor Ferrer; for related reports, see JPRS LATIN AMERICAN REPORT of 10 Oct 85 (JPRS-LAM-85-086), pp 72-74]

[Excerpts] Mexicali, BCN, 7 Oct Senator Alfonso Garzon Santibanez, leader of the Independent Peasants Central Organization (CCI), today threatened to stage a protest before the Office of the Attorney General of the Republic and the official residence of Los Pinos in Mexico City over the release granted to the former national leader of the small landowners, Salomon Faz Sanchez.

He noted that Faz Sanchez is still accused of defrauding members of the CCI in Sonora of over 800 million pesos. "And if we are not heard by Attorney General Sergio Garcia Ramirez, we shall then go to the president himself," said the legislator at the regular assembly of the CCI here, speaking before Governor Xicotencatl Leyva.

The senator complained because the proper verifications had not yet been made in the case of Faz Sanchez, who was held prisoner for several weeks. Garzon Santibanez thus seconded the resolutions of delegates to the assembly, who demanded a vigorous reply from the CCI over the release of the former leader of the CNPP [National Confederation of Small Landowners].

## Blow to Farmers

Hermosillo, Sonora, 7 Oct--The release of Faz Sanchez "is a blow to the farmer from the system," Rosalba Aguilar of the Independent Peasants Central Organization said here today.

He added that Sonora farmers "would not allow such absurdities" and would require that President Miguel de la Madrid revoke the ruling handed down last weekend in favor of Faz Sanchez and that consideration be given to the protests of the peasants he defrauded, as well as to the National Rural Credit Bank.

"Salomon only gave back 300 million pesos," he said.

He observed that farmers do not understand why they want to pigeonhole a matter already fully proved. This means that the government will only lose more confidence, he said.



He demanded that the state government, headed by Rodolfo Felix Valdes, study the problem thoroughly so that it may help the farmers "and support us or tell us that we are wrong."

The leaders maintained that Salomon Faz Sanchez "is the intellectual author of two homicides committed in Caborca." The victims were Rafael Munoz Espinosa and Antonio Osuna Betancourt, who had previously been kidnapped.

He said that both the Office of the Attorney General of the Republic and that of the state have records in their hands containing statements implicating Salomon Faz Sanchez as "the intellectual author of the double homicide."

In Caborca, he said, there is unrest because justice has not been done and he added that Reynaldo Solorio Leon, "the actual author of the homicides," has disappeared.

11,464  
CSO: 3248/33

GUERRERO: ACNR POLITICAL GROUP TIED TO BANK ROBBERY

Mexico City EXCELSIOR in Spanish 12 Oct 85 pp 1, 4

[Article by EXCELSIOR correspondent Enrique Diaz Clavel; for related articles, see JPRS Latin America Report of 24 May 83 (JPRS 83533, No 2681), pp 48-51]

[Text] Acapulco, Guerrero, 11 Oct--Members of the Guerrero Autonomous University (UAG) and of the National Revolutionary Civic Association (ACNR) were the people who held up the Banco de Comercio and made off with more than 15 million pesos, Professor Javier Albavera Viveros, the only person arrested in connection with the robbery, has confirmed.

The head of the Federal Judicial Police (PJF) in the region, Jose Luis Larrazolo, said that Albavera Viveros pointed to Cristino Salas Salinas as the mastermind of the holdup. Just last August Salas Salinas was given amnesty by the state government. He said that he did not know the names of the other people involved in the robbery.

Albavera Viveros, who is also a civic leader in this port city, said that he decided to take part in the bank holdup because his relatives owed money to some silversmiths in Tasco and because the UAG owed him his salary.

PJF agents arrested the professor while he was driving a car that he had stolen from Aniceto Gomez, whom he had tied up and locked in the trunk, the police chief said.

In conclusion, Larrazolo said that the investigation has led to various areas around the port city, inasmuch as police are certain that these are the same individuals who held up the Banco Nacional de Mexico and the Banco Internacional, from which they made off with more than 100 million pesos.

8743

CSG: 3248/58

DRAFT 1986 FEDERAL BUDGET EXPENDITURES, REVENUES SURVEYED

PA011641 Mexico City EXCELSIOR in Spanish 16 Nov 85 pp 1-A, 23-A, 30-A

[Article by Gilberto D'Estrabau and Luis de Cervantes]

[Text] The total expenditures of the Federal Government in 1986 will reach 32.21 trillion pesos. Of this total, 15.39 trillion pesos correspond to federal spending, which will be 43.1 percent higher than in 1985, and 14.79 trillion pesos will go to service the debt, estimated to be 71.3 percent higher than 1985 debt payment estimates. [figures as published, sum of federal spending and debt service amounts does not equal total expenditures] The overall spending increase will be 56 percent. The parastate sector will have a budget of 9.33 trillion pesos, 45 percent higher than its budget for 1985.

Federal Government revenues are estimated at 14.11 trillion pesos, 8.14 trillion pesos of which will be obtained from taxes and 5.93 trillion pesos from sources other than taxes [figures as published]. Parastate enterprises are estimating a total revenue of 11.93 trillion pesos, according to the budget proposal sent by the president of the Republic to the Chamber of Deputies. Treasury Secretary Jesus Silva Herzog, and Planning and Budget Secretary Carlos Salinas de Gortari will explain the budget proposal to the Chamber of Deputies on 22 and 25 November, respectively.

One outstanding aspect of the budget proposal is that it includes a fund of 500 billion pesos for the reconstruction of the damages caused by the recent earthquakes. This fund proceeds from two sources of financing: 300 billion pesos from tax revenues and 200 billion pesos are part of a special credit program for housing development in the earthquake-affected areas and to support decentralization.

In stressing that public spending and the increasing need for resources and for reductions in spending are the cornerstones of economic policy, the president of the Republic indicated that the 1986 budget strategy seeks to harmonize appropriations with established priorities.

He said that spending policy will be directed toward the fulfillment of priorities in the national programs and to maintain socially-oriented spending, reconstruct the health and education services and infrastructure

that were damaged by the earthquakes, and to increase public savings levels as a prerequisite to the resolution of the problems the country is confronting.

He added that special attention will be given to the efforts to introduce structural changes to increase efficiency in the public sector, reassign resources to top priority programs, and cancel or postpone spending in non-priority projects.

In the parastate sector, the budget allocations seek greater efficiency in the operation of parastate concerns, maximum utilization of their productive capacities, and an establishment of priorities in their expansion projects according to their social and economic implications.

The presidential document points out:

The basic priorities of the 1986 budget continue to be to ensure the supply of basic products to the population; to meet the demand of the priority social services of health, action [accion], securing justice, and housing; and to maintain an adequate development of the basic infrastructure, as well as strategic offerings in areas of direct state responsibility.

In this context, the draft budget was prepared under the following guidelines:

--To increase the levels of savings, productivity, and maintain the budget's accuracy and operation by making use of more of our own resources through permanent structures and programs.

--To favor investments and decrease expenses, particularly in the sectors linked to administrative tasks.

--Following the approval of the Planning and Budget Secretariat, new posts of work will be approved that are indispensable for increasing the direct services of education, health, armed forces, social security, and the handling of justice.

--Care will be taken so that current transfers will not be such a burden on the federal government. Transfers will only be granted if they are aimed at covering the deficits in operation that are the result of a policy of maintaining prices and tariffs below the costs of production, in the cases in which they are strictly of social benefit.

--To revise transfers to entities devoted to lower priority activities, or to propose options that generate their own resources with the purpose of decreasing to the strictly indispensable, the use of fiscal resources, in order to support public entities.

--To expand activities aimed at administrative decentralization, making the best use of the resources and the potential that other regions offer.

--To use the development agreements in order to strengthen social welfare activities and introduce the regional development and decentralization functions that might be performed with greater efficiency and more productivity at a local level.

#### Foreign Debt Servicing

HEADING	expected 1985	planned 1986	percent variation
Total	8,633.2	14,791.8	71.3
	---	---	
interest	5,707.1	9,380.3	64.4
amortization	2,346.1	4,716.3	101.0
Fiscal obligations from prior accounting periods [ADEFAS]	580.0	695.0	19.8
FEDERAL GOVERNMENT	6,032.1	10,966.7	81.8
	---	---	
interest	4,300.2	7,203.4	67.3
amortization	1,151.9	3,068.3	166.4
ADEFAS	580.0	695.0	19.8
ORGANIZATIONS AND ENTERPRISES WITHIN THE BUDGET	2,601.1	3,825.1	47.1
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interest	1,406.9	2,176.9	54.7
amortization	1,194.2	1,648.2	38.0

#### Structural Changes in Public Finances

The report focuses on the need to reduce the fiscal deficit while protecting social welfare spending and opening space for growth in strategic and priority investment areas. This makes the most efficient and equitable use of available resources indispensable, thus the implementation of structural changes in public finances.

With regard to revenues, the report indicates that evasion and nonpayment of taxes will continue to be kept in check and the efficiency and fairness of the tax system will be improved. With regard to spending, the need has been seen to expedite reforms in the following areas: the reorganization of the industrial apparatus, the restructuring of the public sector, and the heightening of the efficiency and productivity of the government machinery.

The 1986 budgetary policy proposes a significant reduction in the public deficit. This implies an additional and considerable reduction in the real debt and maintaining the real foreign debt level. To do this, Mexico

must assume a \$4 billion debt to secure the transfer of real resources from abroad through greater contributions. At the same time this will allow a reduction in the pressure on the domestic interest rates.

After refinancing the foreign debt, the greatest margins for reducing the burden of the servicing of the debt in the short-term is in the reduction of the national debt, the servicing of which is very vulnerable to changes in the inflation rate.

The 1986 draft federal budget includes an appropriation of 14.79 trillion pesos to service the debt. Of this, 10.96 trillion pesos correspond to the Federal Government and 3.8251 trillion pesos to the parastate sector.

#### Reconstruction Program

In addition to human suffering, the September earthquakes entailed enormous property damage. It will take several years and the joint effort of the government and people to recover the financial losses it produced. However, it is not only a matter of restoring what was lost, but of gaining awareness of the need to implement radical and unpostponable structural changes made obvious by the vulnerability shown by the Valley of Mexico area. The reconstruction effort implies renewal; it calls for the redefinition of priorities, the intensification of the actions that were already underway, and the modification of others, always taking advantage of and promoting the participation of society and its enormous vitality.

#### PUBLIC DEBT SERVICE BY ENTITIES

(Billion of Pesos)

HEADING	1986 DRAFT		
	Interest	Amortization	Total
Total	9,380.3	5,411.5	14,791.8
	---	---	---
FEDERAL GOVERNMENT	7,203.4	3,068.3	10,271.7
ORGANIZATIONS AND ENTERPRISES	2,176.9	1,648.2	3,825.1
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Mexican Petroleum	733.7	391.1	1,124.8
Federal Electricity Commission	726.2	272.4	998.6
Central Light and Energy Company	[no figures as published]		
Mexican Fertilizers	46.7	12.1	58.8
National Iron and Steel Company	6.2	3.9	10.1
Lazaro Cardenas-Las Truchas			
Steel Complex	71.9	24.5	96.4
National Diesel	83.7	93.5	177.2
National Railway Car Construction			
Company	1.5	3.6	5.1
Monterrey Foundaries	39.3	18.1	57.4



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	Interest	Amortization	Total
Mexican Blast Furnaces	199.8	58.0	257.8
Sugar, Inc.	43.7	195.2	238.9
Paper Importer and Producer, Inc.	3.0	30.7	33.7
National Railways of Mexico	50.7	57.3	108.0
Pacific Railway	13.9	19.9	33.8
Chihuahua-Pacific Railway	4.3	6.5	10.8
Sonora-Baja California Railway	5.1	2.7	7.8
Federal Toll Highways and Toll Bridges and Related Services	4.1	3.3	7.4
Mexican Airlines	9.1	12.2	21.3
Airports and Auxiliary Services		0.3	0.3
National Company for Basic Commodities	106.6	336.7	443.3
Mexican Coffee Institute	8.4	95.1	103.5
Mexican Forestry Products	[no figures as published]		
Mexican Fisheries Products	19.0	11.1	30.1
FEDERAL GOVERNMENT ADEFAS		695.0	695.0
		---	---

Although the program will be basically implemented in the capital of the Republic, it will have effects on the entire country. The magnitude of the taxes that must be undertaken calls for creativity and discipline. The political philosophy behind the National Development Plan represents the basis for this task.

Despite severe economic restrictions during 1986, the country has important resources to face the most urgent needs of the reconstruction. A big effort has been made in the reallocation of resources within required limits in order to advance in the improvement of public finances and the struggle against inflation.

For 1986, resources totalling 500 billion pesos have been financed through several different means. These funds will be used to take care of social priorities, the operation of the city and its services, as well as the decentralization required due to the effects of the earthquake. Of these funds, 300 billion pesos have a fiscal origin (259 billion will be placed in a new section of the central government budget and 41 billion in the budget of the IMSS (Mexican Social Security Institute) and the ISSSTE (Institute of Social Security and Services for Government Workers), while the remaining 300 billion pesos will be used to support a special credit program for housing projects for the affected areas and to support decentralization. This effort for the allocation of resources is aimed at decreasing the suffering and the adverse impact that has hurt Mexicans whose houses, jobs, and access to public services were affected.

# Reconstruction Budget

(Billions of Pesos)

(Inventoried)

## HEADING

## AMOUNT

I. Fiscal Resources (Footnote 1) (The resources of this budget are exclusively fiscal supports and they are different from the credit supports outside the budget and the resources of the National Reconstruction Fund.)

1. Mexico City		112.0
a) Housing Renewal	25.0	
b) Damaged pavements and shoulders	8.0	
c) Replacement of street lighting infrastructures	5.0	
d) Demolition and collection of rubble	10.0	
e) Repair of the deep drains, the central waterline, the La Piedad viaduct, and eastern zone damages	9.0	
f) Waterworks, primary and secondary networks	18.0	
g) Supports for the self-construction housing programs, reconstruction and shoring up of historic monuments, and restoration of Federal Government office buildings	37.0	
2. Health and Social Security		56.0
a) IMSS	29.0	
b) ISSSTE	12.0	
c) Health	15.0	
3. Decentralization		132.0
a) Drinking water	12.0	
b) Communications	12.0	
c) Housing (Housing Fund of the Institute of Social Security and Services for Government Workers--FOVISSSTE)	10.0	
d) Employment Program	50.0	
e) Decentralization of the Federal Public Administration	48.0	
-Personnel and movement of equipment	33.0	
-Expansion of the housing, education, and health infrastructure	10.0	
-Conversions, installations, and offices	5.0	
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Fiscal Supports	300.0
	---
II. Credit	
1. Special Housing Program	200.0
	---
TOTAL	500.0

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Regarding the fiscal resources, 25 billion pesos have been allocated to directly support housing renewal actions as a complement to the credit resources; and 50 billion for the repair of the deep drainage, the central waterline and the water supply to the eastern zone, waterworks, primary and secondary water networks, demolitions for safety reasons, and the collection of rubble, replacement of street lighting infrastructures, and the repair of damaged roads.

Resources have been allocated to meet various commitments that emerged as a result of the earthquake and that do not correspond to the Federal District programs, but that will be used in Mexico City to support actions for housing, federal buildings, and the shoring up of historic buildings for a total of 37 billion. For the reestablishment of health and social security installations, 56 billion has been allocated, and to support the decentralization of the federal public administration, 82 billion has been allocated. This includes the direct expenses and investments in waterworks, communications, and housing support. The regional employment programs will be adjusted to the new needs in support of the population affected in Mexico City and Jalisco, Michoacan, and Guerrero states.

The special housing program is concentrated in the most damaged zones in Mexico City and the cities that will feel the impact of the decentralization. The participation of the community, the social sector, and the private sector will be promoted in all programs. The housing will be built with the society, promoting an intensive industry that generates jobs and does not require imported raw material, and using the work of the affected population to resolve their social situation and to prevent new migrations.

In the working class colonias [urban communities] located in the downtown area, the cultural identity of and the communities' desires to restore the minimum conditions of their houses, adjusting them to the socio-economic level of the inhabitants, will be respected. The plan will be based on self-construction and self-administration with the surveillance mechanisms promoted and established by the community. The special housing program with credit support encourages community participation in the working class colonias, thus providing a response to the population's priority demand. In other affected colonias, it will be an additional incentive for the investment of national capital both in the construction of houses, as well as of other installations that were severely damaged. In the same manner, funds have been assigned to handle commitments and housing requirements, and to ensure strict compliance with the corresponding legal procedures.

A total of 100 billion pesos will be available in order to carry out all forms of the various housing reconstruction programs in Mexico City. Simultaneously, housing activities will be centered on the cities experiencing population growth as a result of the decentralization of the government institutions affected by the earthquakes. This will encourage regional development, reduce the burden on the capital city, and will vacate houses and offices in Mexico City.

As part of these efforts, the regional employment programs will be maintained and updated, through coordinated actions with both the social and private sectors, in order to reinstate, as soon as possible, the jobs lost in the clothes manufacturing industry, handicrafts, various occupations, small stores, and services in general.

Considering the importance of the reconstruction activities for the entire nation, the activities will be closely supervised, and periodic reports will be sent to Congress on their progress and on the utilization of the funds obtained from taxes, loans, or donations. In addition, the various committees of the National Reconstruction Commission will be invited to help in designing better programs and supervising them.

The National Reconstruction Fund, which was created with the donations made to the special account at the National Financial Corporation, will maintain its autonomy; it will have funds in addition to the ones called for in this program, and it will continue to be a fundamental instrument for social solidarity in the reconstruction tasks.

The basic line to be followed for the allotments will be to maintain moderate expenses, through reallocations and optimum utilization, and to support priorities in education, health, regional development, communications, transportation, supplies, rural development, as well as in the production of strategic goods and services.

The necessary austerity and discipline require another careful evaluation of each one of the sector programs, plans, and projects currently promoted by the federal administration in order to reorder them according to the new conditions and needs. In addition, new formulas must be created for the participation of private and social sectors in order to expand the basis of those programs and projects.

Education will receive more support in 1986. The budget appropriation for that sector will have as a priority the reconstruction of damaged infrastructures in the Federal District and the states. Attention will be made to balance the role played by the three branches of government in the education sector, and to increase the social, private, and community sectors' participation in the education process. The quality of education will continue to be improved without diminishing the attention to services and while concentrating efforts on the substantial aspects of the educational process.

In the health and social security sector, the priority will be the reconstruction of hospital infrastructures and the restoration of medical services to the levels prior to the earthquakes. Efforts will also be made in the fields of preventive medicine, medical treatment, and social security in order to guarantee the Mexicans right to health.

The regional development sector will, in addition to enjoying the continuation of its normal programs to develop strategic regional projects, receive extra resources for reconstruction. These resources will be channeled toward works and projects based on activities geared toward the decentralization Mexican life.

The communications and transport program for 1986 is oriented toward the establishment of greater coordination between the various modes of transportation and the trade and supplies systems through the construction and reconstruction of basic infrastructures, as well as through the manufacture in Mexico of transportation equipment. Equipment and technology will be financed and purchased with a view to increasing the productivity and efficiency of transportation services.

With regard to the supplies and trade sector, the priority will be the consolidation of the national network for the collection, transportation, and distribution of grain, oil-producing seeds and perishable goods. This will be done by coordinating actions between the state and municipal governments and the social and private sectors for the establishment of plants to process basic food products. At the same time, attempts will be made to improve the competitiveness of industry, promote the export of products other than oil, step up technical development, and integrate production networks of basic products.

In the field of agriculture, priorities are listed in the National Program for Overall Rural Development. They will be geared toward the promotion of basic crop development, the improvement in the standard of living of rural populations, and the increase in productivity and proper use of resources. For this, and giving special attention to harsh climate areas, funds will be assigned to give technical assistance, promote peasant organization, consolidate the granting of guarantees in landholding rights, and expand the coverage of basic public services. Particular attention will be given to increasing the participation of those groups involved in agricultural activities. The rural development reconstruction program will play a key role in assuring the food supply for harsh climate areas.

In fishing, activities in 1986 will focus on infrastructure expansion through the utilization of special credit programs and the promotion of new technology both in actual catching and in industrialization through specific programs to organize and train fishermen.

In 1986 the industrial and energy sectors will benefit from the links that exist between the various state enterprises to support manufacturing and employment. Priorities will also be set on the production of export goods, taking special care to ensure an adequate supply of those products on the domestic market.



Summary by Economic Sector  
1986 DRAFT (Billions of Pesos)

SECTOR	expected 1985	normal	recon- struction	total	percent variation
Total planned expense	10,753.0	15,091.0	300.0	15,391.0	43.1
Rural development	898.8	1,255.3	38.3	1,293.6	43.9
Regional develop- ment and ecology	440.7	509.8	177.0	686.8	55.8
Fishing	190.0	272.1		272.1	43.2
Social development	2,536.0	3,883.0	71.0	5,954.0	55.9
Education	1,353.9	2,114.3	5.0	2,119.3	56.5
Health and security	1,182.1	1,768.7	66.0	1,834.7	55.2
Communication and transportation	947.2	1,340.7	13.7	1,354.4	42.9
Commerce and supplies	767.5	1,018.5		1,018.5	32.7
Tourism	21.9	29.0		29.0	32.1
Energy products	1,521.2	3,822.2		3,822.8	51.6
Industrial	1,336.3	1,877.2		1,877.2	40.5
Administration	1,093.4	1,082.6		1,082.6	(1.0)

In the tourism sector, activities in 1986 will be directed toward the challenge of overcoming the damage caused by the earthquake as well as the loss of competitiveness in some services. For this, programs and orientation campaigns will be established for the protection of and aid to tourism; financial support for the expansion of infrastructures will be rationalized; and the reservation, promotion, and administration systems will be improved.

Departments and entities assembled in the administration sector will face the biggest challenge in the policy of revamping public expenditures, seeking to concentrate efforts on high priority programs with the most efficient use of resources.

#### Almost 8.2 Trillion from Taxes

The Federal Government will receive during 1986, 8.141 trillion pesos in taxes, of which the most outstanding items are income taxes, with 2.852 trillion, and the IVA [Value Added Tax] with 2.336 trillion.

Taxes on production and services will produce 2.071 trillion; taxes on imports, 693 billion; on exports 1.8 trillion; on expenditures, 66 billion; on ownership and use of automobiles, 59.8 billion; on new vehicles, 59.8 billion; and other sources, 400 million.



Furthermore, the government will receive 5,653 trillion from duties; 44.9 billion from products; 140.3 billion from concessions; 81.2 billion from accessories, and 15 billion from contributions for improvements.

The Government will obtain 25 billion pesos from capital gains.

Parastate Public Administration Budget Planned Expenditures by Entities  
(footnote 1: includes contributions and transfers from the Federal Government)

HEADING	(Billions of Pesos)		
	Expected 1985	Projected 1986	Percent Variation
Planned expenditures	6303.8	9331.8	48.0
Mexican petroleum	1692.9	2419.1	42.9
Federal electricity commission	706.0	1222.7	73.2
Central power and light company	113.9	169.7	49.0
Mexican fertilizers	246.2	407.4	65.5
National iron and steel	17.9	37.7	110.6
Lazaro Cardenas-Las Truchas steel complex	150.2	137.6	(8.4)
National diesel	107.6	155.6	44.6
National railway car construction company	32.3	50.2	55.4
Monterrey foundries	81.1	109.7	35.3
Mexican blast furnaces	192.2	279.0	45.2
Sugar, Inc.	369.5	516.4	39.8
Paper importer and producer, Inc.	44.2	79.4	79.6
National railways of Mexico	238.6	357.2	49.7
Pacific railway	39.7	71.3	79.6
Chihuahua-Pacific Railway	11.0	18.6	69.1
Sonora-Baja California railway	8.7	14.1	62.1
Federal Toll Roads and Toll Bridges and Related Services	25.1	41.0	63.3
Mexican Airlines	142.7	236.9	66.0
Airports and auxiliary services	23.2	32.8	41.4
National Company for Basic Commodities	652.7	860.3	31.8
Mexican foreign trade institute	8.4	9.8	16.7
Mexican coffee institute	72.6	116.4	60.3

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Vicente Guerrero forests	2.9	4.0	37.9
Mexican forestry products	4.9	4.2	(14.3)
Mexican fisheries products	159.9	236.0	48.1
Mexican social security institute	789.1	1226.9	55.5
Institute of social security and services for government workers	245.5	356.4	5.2
National lottery for public assistance	125.4	161.4	28.7

#### Parastate Enterprises To Produce 12 trillion

Revenues from the Parastate Public Administration are on the order of 11.9372 trillion pesos.

The major revenue generators among parastate enterprises are: Mexican Petroleum, with 3.5872 trillion pesos; the Federal Electricity Commission, with 1.7938 trillion pesos; the National Company for Basic Commodities, with 1.1569 trillion; and the Mexican Social Security Institute with 1.2711 trillion.

The Central Light and Power Company will take in 169.7 billion pesos in 1986; Mexican Fertilizers, 420.3 billion; Mexican Blast Furnaces, 347.3 billion; Monterrey Foundries, 147.2 billion; Lazaro Cardenas Steel Complex, 174.1 billion; National Iron and Steel Company, 47.4 billion; National Railway Car Construction Company, 52.4 billion.

National Diesel will take in 253.2 billion; Sugar, Inc., 558.4 billion; Paper Importer and Producer, Inc., 82.7 billion; National Railways of Mexico, 429.1 billion; Pacific Railway, 99.1 billion; Chihuahua-Pacific Railway, 27.9 billion; Sonora-Baja California Railway, 21.5 billion.

Mexican Airlines will take in 273.6 billion; Airports and Auxiliary Services, 38.2 billion; Federal Toll Roads and Toll Bridges and Related Services, 65.3 billion; Mexican Foreign Trade Institute, 12.3 billion; Mexican Coffee Institute, 121.5 billion; Vicente Guerrero Forests, 4 billion.

Mexican Forestry Products will take in 4.1 billion; Mexican Fisheries Products, 261.1 billion; the Institute of Social Security and Services for Government Workers, 356.4 billion; and the National Lottery, 161.4 billion.

## BUDGET OF THE CENTRAL PUBLIC ADMINISTRATION

(in billions of pesos)

HEADING	Expected 1985	Projected 1986
PLANNED EXPENDITURES	6,000.6	8,236.3
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DIRECT EXPENDITURES	2,953.1	4,025.8
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Presidency of the Republic	11.0	14.6
Interior	32.0	33.6
Foreign Relations	23.6	37.9
Finance and Public Credit	92.3	103.1
National Defense	224.3	286.8
Agriculture and Water Resources	388.9	422.9
Communications and Transportati	379.0	452.8
Commerce and Industrial Development	25.2	28.4
Public Education	836.4	964.3
Health	160.2	190.7
Navy	75.8	87.4
Labor and Social Security	17.0	19.0
Agrarian Reform	32.4	35.8
Fishing	19.4	21.7
Office of the Attorney General of the Republic	14.8	16.9
Energy, Mines, and Parastate Industry	11.2	12.0
Contributions to Social Security	3.0	4.5
Urban Development and Ecology	63.2	62.5
Tourism	15.1	17.4
Planning and Budget	36.4	40.2
Comptrollership-General of the Federation	8.0	7.7
Non-sectorized Outlays	323.3	744.5
Reconstruction	---	259.0
TRANSFERS	3,047.5	4,210.5
	---	---
Controlled organizations and enterprises	1,491.9	2,088.2
Subsidized entities	1,555.6	2,122.3

The draft budget for 1986 does not consider the impact of the salary package on the expenditures allocated to the departments since it is included under non-sectorized outlays being distributed in the course of the accounting period; while in 1985 it is included as a budgeted expenditure.

/9738

CSO: 3248/97

LEFTISTS SUSPECTED IN PLOT AGAINST OIL WORKERS' UNION LEADER

Suspects Named

Mexico City EXCELSIOR in Spanish 20 Oct 85 STATES section p 1

[Article by Lubin Jimenez, EXCELSIOR correspondent]

[Text] Tampico, Tamps., 19 Oct. Manuel Alba Vera, "El Bigus" or "El Gordo," as he is also known, was arrested by the Ciudad Madero police, under the order of police chief Nicolas Perez Segura; he has been named as one of the accomplices involved in the attack against Salvador Barragan Camacho. Alba Vera is a member of the subversive group known as FRAP [Peoples Revolutionary Armed Front].

The police chief reported that the arrested man was implicated by Genaro Martinez, a leader of the group who allegedly plotted the assassination of the union leader.

He indicated that Alba Vera was responsible for storing the weapons that were to be used to carry out the attack; this morning the police cautiously surrounded his house, and made the arrest. Inside the house they found two 9-mm pistols with two ammunition clips each; they also found pro-communist literature.

The arrested man stated that he is a member of the subversive group FRAP, which has claimed responsibility for six bank robberies committed in this area.

Perez Segura said that the relationship between Alba Vera and Genaro Martinez is a close one, like their connection with another person named Antolin, who was arrested this morning and who is still being questioned. He added that the commander of the FRAP, Tomas Luna Rodriguez, was supposed to have been arrested in Mexico City, but this report could not be confirmed.

Finally, he indicated that all this has brought them to consider the case more thoroughly, due to the involvement of this subversive group and the clarification of their objectives through this series of criminal actions.

The Public Ministry agent in Ciudad Madero, Joel Lerin de Leon, said that the case of his counterpart in Tampico, Cirilo de Leon del Angel, who has been named as the presumed mastermind behind the attack against Barragan Camacho, has not yet been cleared up, even though Genaro Martinez, the gang leader who was arrested, said that the accusation had been made under duress. For this reason, an investigation will be conducted of the police departments of Tampico and Madero, in order to determine if either of the departments seems to be involved in these criminal activities.

#### Links to Bank Robberies

Mexico city EXCELSIOR in Spanish 22 Oct 85 STATES section pp 1, 4

[Article by Lubin Jimenez, EXCELSIOR correspondent]

[Text] Tampico, Tamps., 21 Oct. Today the five persons who are allegedly implicated in the aborted plot to assassinate Sen Salvador Barragan Camacho were brought before a representative of the MPF [Federal Republic Ministry]. The investigations of this case have already begun to point "toward leftist subversive groups," stated Marcial Santoy, head of the PJF [Federal Judicial Police].

Apparently until today the investigation did not seem to have any definite target; however, Commander Santoy said that everything is going well, heading "toward the goal of uncovering the activities of individuals participating in supposed subversive groups."

The Federal Public Ministry agent in Ciudad Madero, Joel Lerin de Leon--who in the beginning was reported to be the mastermind acting on behalf of the gang--said that the persons arrested are still being questioned, but that so far they have not been able to clear up the primary unknown: Who is behind this whole plot?"

It has been confirmed that the five persons involved also took part in a number of attacks on banks and activities of leftist subversive groups, coordinated by the FRAP.

Santoy said that the investigations will continue in order to determine the responsibility of the persons arrested for the bank robberies perpetrated.

Manuel Alba Vera, also known as "EL Bigus" or "El Gordo," who was arrested last Saturday, is the one who has been questioned most intensively, since his participation in the plot to assassinate Barragan Camacho has been proven. His job was to store the weapons, which the local authorities found and confiscated last Saturday.

Jose Reta Diaz, an agent of the Federal Public Ministry, said that they are conducting an investigation to determine the responsibility of those persons arrested, who are self-described terrorists, and who did take part in the attack on the local Regional Bank.

"We are moving in the right direction toward finding out more about the activities of other individuals whom we believe are involved in supposed leftist subversive groups. I can't give you any more information for the time being," concluded Santoy.

7679

CSO: 3248/70



## BRIEFS

PRI CANDIDATE SELECTION PROCESS EXTOLLED--San Luis Potosi, 19 Oct. Democracy recognizes no labels of rich or poor in the selection of PRI [Institutional Revolutionary Party] candidates; there are no weighted votes, said the chairman of the PRI's Convention Coordinating Committee, Maximiliano Silerio Esparza. In a press conference held the day before the candidate selections for the party's mayoral candidates for 110 towns in this state and in the neighboring state of Zacatecas, Silerio Esparza pointed out that the voting system for all party members--called Direct Consultation of the Rank and File--has neutralized the influence of hegemonic cacique groups. Silerio Esparza spoke of the development of the PRI's internal candidate selection process, and recalled a saying of the late secretary of public education and president of the PRI, Jesus Reyes Heróles, to the effect that "votes are counted, they aren't weighed." In closing, Silerio Esparza reported that the Direct Consultation of the Rank and File system has previously been used in 457 towns in the states of Nayarit, Yucatan, Hidalgo, Sonora, Veracruz, Tabasco, Tlaxcala, Colima, Campeche, and Jalisco. [Article by Miguel Angel Rivera, special envoy] [Excerpts] [Mexico City LA JORNADA in Spanish 20 Oct 85 p 4] 7679

VERACRUZ: 201 PRI MUNICIPAL VICTORIES--Jalapa, Veracruz, 13 Oct--The State Election Commission ruled today that PRI was victorious in 201 of the state's 203 municipalities, where mayoral elections were held last week. The commission, on which nine political parties are represented, emphasized at its session that a climate of freedom characterized the entire election campaign. It was said that the elections confirmed the insignificant support for political parties other than PRI and that the opposition party campaigns were unable to arouse sufficient interest among voters. Nonetheless, commissions made up of representatives of the competing political parties were set up in the municipalities of Texistepec, Villa Aldama, Teocelo and Naolinco. The commission also took note of the complaints that were brought up. The Popular Socialist Party won in the municipality of Texistepec, and Rafael Ramirez was victorious for the National Action Party in Las Vigas. [Excerpts] [Mexico City LA JORNADA in Spanish 14 Oct 85 p 7] 8743

NEW USE FOR DURAZO RESIDENCE--In accordance with a decision by the Department of the Federal District, the Office of the Attorney General of the Republic and the UNAM [National Autonomous University of Mexico] will convert the former residence of Arturo Durazo Moreno in Ajusco into a Center of Culture and Legal Research. For that purpose, over 50,000 law books and 10,000 other volumes from the university began to be transferred to the new site yesterday. The Emilio Portes Gil Library of the Office of Attorney General was located on the ground floor of the central building near the Palace of Fine Arts. As a result of the damage which different offices suffered in the recent earthquakes and after employees began to work at the National Institute of Penal Sciences in Flalpan, the decision was made to move it. [Excerpt] [Mexico City EL DIA (METROPOLI supplement) in Spanish 4 Oct 85 p 6] 11,464

CSO: 3248/33

# INTERNATIONALISTS BUILD SCHOOLS IN SPECIAL ZONE III

Managua BARRICADA in Spanish 6 Sep 85 p 12

[Text] Internationalists of the Berthold Brecht Brigade of the Federal Republic of Germany, and brigadists of the Basque people have contributed more than 11 million cordobas in solidarity assistance this year to Rio San Juan, Special Zone III.

Orlando Pineda Flores, regional delegate of the Ministry of Education in Special Zone III, emphasized the important contribution of the brigadists in the field of education. Side by side with the teachers and villagers of the zone, they have participated in the construction of the Normal School of Rio San Juan and in other projects.

At the present time, schools are being built in various settlements located in the countryside and in local villages. A Child Development Center [CDI], for the children of teachers and costing 5 million cordobas, is also under construction. All of these projects are being carried out with the collaboration of the teachers, governmental institutions, and with international solidarity.

In addition to the assistance of the German brigadists, 125 Basque citizens participated last July and August in the construction of a school for 562 pupils in Los Chiles. They also worked with the agricultural cooperatives and left a contribution of 2 million cordobas.

Referring to the special characteristics of Rio San Juan, a territory historically overlooked by the Somoza regime, with 96 percent of the peasantry illiterate, Pineda noted that Ministry of Education [MED] authorities, backed by the organized teaching profession and supported by various appeals, some partisan, some governmental, have set out to eradicate illiteracy from Special Zone III.

To achieve this objective, Operation Col Carlos Fonseca has been set in motion aimed at freeing six regions and settlements of illiteracy by the end of 1985. In the same manner new areas will be selected for the following year, ending in 1987 with the entire territory literate.

Besides this project, Pineda said that they hope to "seed" the settlements

with schools and leave in the zone all the teachers who come from Rio San Juan. They will also arrange for some assistance from the University.

Rio San Juan has at present 416 teachers, however there is still need for the services of new graduates in the teaching and social service fields. More than 3,250 villagers and 7,115 school children benefit from the various educational programs in the zone.

12383

CSO: 3248/19

# WATER RATIONING IN MANAGUA BEGINS AGAIN

Managua LA PRENSA in Spanish 5 Sep 85 p 8

[Text] Only the drilling of forty wells, or the recovery to previous levels of the Lake of Asososca, which has been determined to be impossible, can forestall the reintroduction, as of today, of water rationing for the large population of this capital, which has grown even larger in recent years.

Water service to all Managua households, community centers and work places where water is used will be interrupted on two designated days each week. There will be no rationing on Sundays.

According to unofficial data, the population of Managua has now reached one million, and the Lake of Asososca alone can output 38 million gallons of water per day, so that with no problem at all, each person could have available 38 gallons per day.

Yet the Nicaraguan Institute of Aqueducts and Sewers [INAA] continues to wage a strong publicity campaign about saving water.

Water was cut off again in several districts of Managua today, two months after the rationing which had been in effect since December of last year was lifted.

Engineer Otoniel Arguello, director of INAA, told reporters that the present water scarcity problem will not be completely solved until 1995 when 40 artesian wells which are to be drilled at several points in Managua to relieve pressure on the Lake of Asososca will have been placed in operation.

For their part, water service customers who became subject to rationing today began storing water themselves in tanks, noting the recommendations of the Ministry of Health regarding breeding places of the malaria mosquito.

Well to do, Managuans and some businesses and restaurants have been constructing water storage facilities in above ground tanks connected with the internal water system.

The suburbs of Altamira D'Este, Bosques de Altamira and Barrios Mexico y Rigüero will have rationing on Saturdays and Sundays.

12383  
CSO:3248/19

ENERGY, MANPOWER PROBLEMS IN SIUNA VIEWED

Managua BARRICADA in Spanish 19 Sep 85 p 8

[Text] In Siuna when the local cinema is in operation, one sector of the town remains in darkness: the electricity problem here is becoming more serious. One must choose between seeing a movie or draining off the electricity for lighting up the houses.

In 1981 two vintage 1969 Ruston power plants and a 1959 Norver plant supplied 2400 kilowatts of electricity to the town. Today, the two Rustons are old and no longer in service. Electric output is a bare 250 kilowatts, or 2150 kilowatts less than in 1981.

And since production from the mine depends upon the available electrical energy, production has declined. In the period 1980-81, 11 thousand ounces of gold were produced, in 1983-84 this fell to 7,900 ounces, and in 1984 only 2070 ounces could be produced before the mine was shut down.

Solution to the Problem

Ivan Lara Dinarte, director general of the mining authority, explained that "the acceleration of the Energy Project is the short- and mid-term solution to the problem." And he added that this effort involves the purchase of four Czechoslovak CKD power plants at a total cost of 1 million dollars, and the investment of 120 million cordobas in public works construction for those plants."

These four power plants would generate 4,400 kilowatts of electricity, which would make possible an initial increase in the mine's processing capacity to 1,200 tons of ore per day.

However, the war also has a bearing on the start of this project; Alejandro Dominguez, assistant director general of the Siuna Mining operation said that "we are doing all we can do in the midst of this war," and he added that "almost all of our personnel are mobilized in the defense effort." The workers have made a tremendous effort, working up to 40 hours running, to meet the commitment to have the first Czech plant installed next month and "to recommence production in honor of the seventh anniversary of the nationalization of the mines."



## Problems

Ivan Lara said that one problem is the increase in the cost of transporting materials, and he illustrated this by saying that "one quintal of cement costs us 150 cordobas in Managua, but when it is delivered here it costs 1500 cordobas." Another problem is the work force because this is a war zone. "Some bricklayers here earn 40,000 cordobas a month and still leave; every two weeks or so we have to go looking for new workers."

Alejandro Dominguez said that another problem is cultural backwardness. "We have empirical technicians in management who cannot read or write." He added that "the average educational level of the 460 workers of the enterprise is the fourth grade."

Lara Dinarte said that the principal problem is probably finding qualified technical personnel, "because we are going to have 4 power plants in operation in 1987 and we are not going to have on hand the 685 young men who will be required as energy and mining technicians." These technical personnel needs break down as follows: 150 basic miners, 222 basic technicians, 221 intermediate technicians, 21 practical engineers and 71 university trained engineers, in order to get the completed development project under way.

There are not that many students in the zone, and he pointed out that "there are only 96 students in the sixth grade to meet the need for 222 basic technicians." He added that "it will be necessary to call on Managua's resources, and we know that to come and live here requires more than just good will."

"Energy is our Achilles heel because it is the key to our development." He added that the Siuna Mine which has been abandoned for 17 years because of flooding would be reactivated, that the production of gold would be raised to 64 thousand troy ounces per year (the present price is 330 dollars per troy ounce), and that the water supply would be increased with the installation of three new pumps.

The energy problem in Siuna is something more than "a snap" for Nicaragua.

12383

CSO: 3248/19

PRESS CHARGES LESS FREEDOM THAN UNDER BELAUNDE

Lima EL DIARIO DE MARKA in Spanish 7 Oct 85 p 6

[Article by Luis Morales]

[Text] Ayacucho--The strident announcements by President Alan Garcia concerning the unrestricted freedom of the press in Peru are nothing more than empty statements because both international and national journalists are constantly harassed by officials of the army in the Department of Ayacucho.

These army officers use as their own the names of wild animals in the region, each one being called tiger, fox, condor, puma, and so on. They wear mountain hats allowing only the eyes to show, lie and insult the dignity of newsmen.

Accompanied by an Italian special correspondent, at 0600 hours, this reporter went through Vilcashuaman, heading for Churia, Huambalpa, Paccaypampa, Bellavista and finally, Umaro, and experienced difficulties.

What specifically happened was that patrols left the Vilcashuaman Cangallo and Hualla barracks in a synchronized, well-scheduled fashion, for the purpose of intercepting the newsmen and preventing them from shedding light on the horrors which the horde -- worse than Atila's Huns -- has committed in the interior of the province, declared to be in a state of emergency.

From Ichu-Cruz at 1230 hours on Friday afternoon and as far as Huambalpa, a distance of 17 kilometers, I was constantly followed, but when we arrived at the deserted town, we managed to hide, enjoying the protection of an old woman who allowed us to spend the night.

At 0300 hours in the morning and foiling the tight vigilance, we arrived at Paccapampa, on the banks of the Rio Pampas, 30 kilometers downstream.

We saw nothing but abandoned houses looted by the army on the whole trip.

The trip from Paccapampa to Umaro, about 50 kilometers along the Pampas, was a picture of desolation and constant harassment by a patrol commanded by a lieutenant from the Hualla detachment named Oroya.

When the commission arrived at the devastated and looted area of Umaro, it surprised four soldiers repeating the looting of an abandoned house and rapidly fleeing when they realized our presence.

The officers then immediately reported our presence to their superiors, whom we met in the main town square. Aiming their machine gun at us, they asked for our personal documents.

When "informed" of who we were, they demanded our pass and special permit that we had to have to enter the emergency zone, a document never delivered by the political-military command of the zone.

After providing the proper explanations, we were told that we were not under arrest, but that they would protect us.

We were taken over the Umaro suspension bridge to Colca, a district in Victor Fajardo Province, where we arrived at 1800 hours.

There we met an army major commanding a patrol of 17 men, who put us on an army truck, allegedly to be taken to Cangallo.

At the intersection of Colca and Victor Fajardo, we met up -- with astonishing precision -- with a jet and another truck arriving at the same time.

The major ordered us out of the vehicle and turned us over to another officer, who tried to humiliate us, making us stand in the headlights of the car as he inspected our documents and personally examined us, as if we were common criminals. He announced that they had taken us out of the "red zone." From there, we were taken to Cangallo, where we arrived at 2000 hours.

We had traveled for 16 hours in order to be turned over to the offices of the PIP [Peruvian Investigative Police]. One PIP official arranged that with police protection, we would be taken to a local hotel.

Yesterday morning, under strict police control, we got on a Cangallo-Ayacucho bus, arriving in this city at 1440 hours.

With this brief report, we have shown that the system of repression of the press implemented by Belaunde's regime continues to grow worse with requisitioning of press material.

11,464  
CSO. 3348/91

## IU RESISTANCE TO BARRANTES' REGISTRATION EFFORTS LESSENING

Lima EQUIS X in Spanish 30 Sep 85 pp 22-24

[Article by Arnulfo Basagoytia]

[Text] The process of issuing cards to members, being carried out by Alfonso Barrantes in the United Left (IU), is producing disillusionment within the parties making up that grouping. It has in fact been observed that those parties are no longer unanimous in opposing the procedure, but paradoxically enough, it is serving as a factor of internal unity, especially in the provinces.

#### Progress of Carding Process

The generalized opposition to carding completed by the leader of the United left is tending to disappear. This opposition reflected the distrust of each party leadership concerning that grouping of IU members. In fact, even in the two parties least receptive to the process, the UNIR [expansion unknown] and the PUM [expansion unknown], there is an internal discussion in which members have favored the carding process, even if they do not say so publicly. This is reportedly the case of Jorge Hurtado (Ludovico) of the PC Patria Roja, the main force of the UNIR, who is said to be strongly defending in his party and the UNIR the idea that support should be given to Barrantes' process. He thus disagrees with the views of Rolando Brena and Cesar Barrera, who are reportedly fighting internally to prevent the continuation of the process.

In the PUM, not only are there internal disagreements over the matter and on the leadership level, but rather, entire departmental committees have broken with Diez Canseco and have gone over to the carding process of Barrantes, but without organically breaking with the PUM, as in the case of the Departmental Committee of Arequipa, which is of undeniable national importance.

With respect to the second aspect, the fact that the carding process has served as a factor of internal unity in specific cases, one might note an experience observed by Alfonso Barrantes himself during his recent travels in the interior of the country. The IU leader found that several provincial and departmental committees were divided and had two boards for party and also regional reasons. But when Barrantes arrived and explained the significance of carding for the future of the IU, the leaders of all parties approved the

proposal and united in contributing as a group to the practical completion of the process, especially when Barrantes personally stipulated the condition that they leave aside their disagreements and group themselves together in single leadership boards.

#### Unification Process

That unification has even come about with the signing of public documents by all party leaders supporting the carding process. Local leaderships have thus made their views clearly known to their national leaders. Many of the latter, who are commonly known to oppose Barrantes, take their opposition over the carding process to the extreme of proposing a break with the IU and the formation of another type of front. But they do not realize that without the IU, they are nothing individually and that without Alfonso Barrantes, the IU would not work. There is no other leader who could take his place, as those very leaders confess in moments of sincerity! Whence the fact that their abruptness should be considered as mere immediate reactions.

In addition, because of sectarianism, some of the leaders are against Barrantes' statements supporting certain measures of the Popular Action Government and propose that the IU come out with a statement on the matter. Part of the parliamentary faction published a bulletin a while back asking Barrantes for a clarification on these statements of support. It is said that they were made on a personal basis and that the board of directors should meet to make an official announcement on the matter. Barrantes responds that the statements were made by virtue of his status as president of the United Left. So that there might be no problem, he has summoned the board of directors on several occasions, but the lack of a quorum prevented it from meeting. It is also said that the parties themselves did not want a quorum for two reasons: 1) because with respect to the government measures, there are parties that support Barrantes, such as the PCP [Peruvian Communist Party] Unity, Leonidas Rodriguez' PSP [Revolutionary Socialist Party], Manuel Dammert's PCR [Revolutionary Communist Party], the PSR of Gustavo Mohme, and the independents; and 2) because they would feel at a loss for arguments in attacking that positions defended by the president of the IU.

11,464  
CSO. 3348/91

NICARAGUAN VICE PRESIDENT COMMENTS ON LIMA GROUP INITIATIVE

Lima EL DIARIO DE MARKA in Spanish 13 Oct 85 pp 8, 21

[Interview with Sergio Ramirez, Nicaraguan vice president, in Lima by Carlos Angulo Rivas; date not specified]

[Text] Question: How do you view the Central American conflict?

Answer: Well, the Central American conflict is developing in two ways at this time. One is the military situation itself caused by U.S. interference in Nicaragua and the direct support from the U.S. Government to the armed Somozist counterrevolution. This produces a situation of general destabilization that also affects Honduras and Costa Rica due to the border tensions that are continually created. That is the first way. The second, naturally, is the diplomatic effort of the Contadora Group to try to find a framework for negotiations to bring peace to Central America. These two ways are obviously linked by a common factor: the U.S. Government's refusal to accept a peacefully negotiated solution that respects the rights of the Nicaraguans and, therefore, leads to a long-term settlement.

Question: Are only military factors involved or is there also economic aggression?

Answer: It is basically military aggression accompanied by the damage to the Nicaraguan economy that the war produces. It also affects the framework of economic relations. This is translated into a financial and trade blockade which try to weaken the material base of the revolution and cause the country to collapse. This is part of the military strategy.

Question: Is there new progress toward a negotiated peace with the Contadora Group and the initiative of the Lima Group?

Answer: Yes, the formation of the Lima Group is very important to us because it reinforces the Latin American perspective which we believe in. The Contadora Group must endorse this great initiative because, actually, Latin American and U.S. interests are confronting each other. Therefore, the start-up of this group formed by democratic countries on the continent is an important step for all.



Question: Some reactionary groups or governments in Latin America and the press aligned with them are questioning the Nicaraguan Revolution and the Sandinist Government, mainly with the accusation that there is no freedom of press in your country. They also question the recent elections. What is your opinion of this campaign?

Answer: Obviously there is some restriction on freedom of expression in Nicaragua, especially concerning military information which involves state security. This is due to the war conditions and aggression against the country. This is natural in any country subjected to such a situation. Throughout history, countries affected by wars have imposed limitations on freedom of expression. Nevertheless, Nicaragua has freedom of expression from any angle. This freedom is a democratic conquest of the revolution; the right to inform and be informed is in effect in the country. As to the elections, the truth is that no matter what type of elections we would have held last year, they would not have satisfied the United States or its propaganda machines. They try to nullify the validity of the elections which give legitimacy to the Nicaraguan Government because they do not want that legitimacy. The Nicaraguan Government, after the elections, has been recognized and accepted universally as an elected government.

Question: Well, the Ecuadoran Government has just revealed that it would break relations with Nicaragua. Its president stated that the elections were not honest and as long as there are no free elections in Nicaragua, peace in Central America cannot be discussed. What is your opinion?

Answer: That is exactly the Yankee thesis. That is the Yankee thesis which President Febres Cordero agrees with. I think that was a sudden outburst that identified him with a classic U.S. thesis. I trust this will not lead to a break in relations that, in turn, would hinder Ecuador's attempt to join the Lima Group. No country that threatens to break relations with Nicaragua could act as a mediator. (Editor's note: Febres' intransigence led to a rupture with Nicaragua yesterday.)

Question: You are visiting the member countries of the Lima Group. You came from Montevideo and Buenos Aires and will go to Brazil. What opinion do these governments have?

Answer: These governments have an increasingly clear sense of what is happening in Central America and a desire to cooperate in a peaceful solution and provide a real framework for the Contadora negotiations. The creation of this group is very important to us but the U.S. Government feels the group does not guarantee its interests so it is trying to bring in a Trojan horse. It is trying to change the balance within this group which is unfavorable for U.S. interests. That makes us think that the group is having success in its negotiations.

Question: Are you referring to the expansion of the group? To Yankee intervention?

Answer: Yes, I am referring to intervention by Ecuador and the Dominican Republic. Neither Ecuador nor the Dominican Republic had identified with the

problem. It is the United States that wants them to join. The United States shamelessly proposed this through Shultz himself, after a meeting with the foreign ministers of Guatemala, Honduras, El Salvador and Costa Rica. It was announced that they had agreed to request that Ecuador and the Dominican Republic join the Lima Group.

Question: In the Contadora act, would the most important thing be the border security zones?

Answer: The Contadora act does not actually include border security zones but basically covers the departure of foreign military advisers, the dismantling of any insurgent force that attacks the stability of a constituted government, the closing of all foreign military bases and the end of all war maneuvers on Central American soil.

Question: And the border security zones?

Answer: That was something we proposed because of the border conflicts with Costa Rica. However, they have been dropped because Costa Rica has not shown any interest in agreeing.

Question: Foreign Minister D'Escoto's long fast has been categorized as a rebellion against the church. What is the relationship between the government and the church because of this?

Answer: Not only because of this but because part of the church hierarchy in Nicaragua shares the Reagan administration's positions. This obviously creates a climate of tension not only between the hierarchy and the government, but with the people of Nicaragua who are bearing arms to defend the revolution and the country. This is not a church-state conflict but a conflict between one sector of the very conservative, pro-American hierarchy and the revolution.

Question: Do Christian groups actively participate in the revolution?

Answer: Yes, this country has an immense Catholic and Christian majority and the immense majority of the Catholics and Christians are participating in the revolution while the minority identifies with the conservative position.

Question: You cannot talk about a division in the Nicaraguan church....

Answer: I would not talk about a division in the Catholic Church as an institution but there are revolutionary currents among the Catholic people of Nicaragua who confront the conservative people.

Question: The war is a latent problem in Nicaragua. However, what is being accomplished for the reconstruction of the country?

Answer: Well, the war is an everyday reality and this depletes the resources of the country. It creates a difficult economic situation for us, not to mention the loss of lives that it has caused. Now, the first achievement of the revolution has been the consolidation of revolutionary power. This is our

greatest achievement based on the armed forces, the Sandinist front itself and the revolutionary party strengthened by the 1984 elections and the popular organizations. We have achieved major health conquests in the number of consultations that have been extended to rural areas and the opening of health care centers in the most isolated places in the country. Education has been extended to the rural area after the national literacy crusade. We have about 1 million students of all ages involved in education. To us, these are the basic achievements in education and health. The agrarian reform is also one of the most important conquests of the revolution. At this point, we have given more than 2.2 million hectares to peasant families through the agrarian reform programs. This represents more than 30 percent of the cultivable land in the country.

Question: And the industrial sector...?

Answer: Well, we inherited an antiquated industry that we have been trying to modernize little by little. The war conditions have impeded us from making spectacular advances in this sector but the country is undertaking new investments in order to be able to process its own raw materials.

Question: The country is mobilized....

Answer: Yes, the revolution is being consolidated step by step under the difficult conditions that the war imposes but we are moving....

7717

CSO: 3348/110

## SOVIET PEACE COMMITTEE VISITS NEWSPAPER

Lima EL DIARIO DE MARKA in Spanish 16 Oct 85 p 7

[Text] A delegation from the Soviet Committee for the Defense of Peace visited EL DIARIO DE MARKA recently for the purpose of exchanging ideas on the cooperation that is needed in the ongoing struggle against the nuclear threat to the world. The delegation was composed of Ravil Nizamov, a deputy and minister of education for the state of Tartaria; Rimina Kazakova, a Soviet writer and poet with more than 20 publications to her credit, translated into several languages including Spanish; and Yulia Korofkova, a researcher at the USSR Academy of Sciences. The delegation was accompanied by Peruvian Laura Albizu, who was representing the Peruvian Peace Movement (MOPEPAZ).

During their visit, the members of the delegation expressed their concern about the world situation and the danger of a nuclear holocaust due to the arms race. They announced that the USSR has launched noteworthy peace initiatives, such as: abstaining from using nuclear weapons, imposing a moratorium on atomic testing by the Soviet Union between 6 August (in homage to Hiroshima) and 31 December of this year, demanding that other powers also take this position as a show of good intentions for peace in the world, and exhortations for international cooperation to prevent the militarization of space.

In keeping with the old Russian saying, "better to see it once than to say it a hundred times," the delegation is visiting Peru to exchange experiences and observe the activities of MOPEPAZ. It attended the international opening of Afiches and the children's drawing contest, "The Child and Peace." The members also learned about the activities carried out to celebrate the 40th anniversary of the great victory over Hitlerian fascism and the founding of the United Nations.

The delegation, convinced that it is hard to measure even theoretically the disastrous consequences mankind would suffer in the hypothetical event of a nuclear war, expressed its great concern over the militarization of the cosmos and the so-called "Star Wars." The Soviets are particularly distressed because the plans for this nefarious strategy to militarize space are being concocted in Washington at the initiative of the war-mongering administration of Ronald Reagan. This enhances the threat to the security of nations, and creates an unstable situation in international relations, they noted.

The writer and poet who visited us suggested that common sense dictates just one solution: to freeze the nuclear arsenals of the great powers and suspend preparations to militarize space, so that steps can be taken to reduce nuclear weapons stockpiles. She stated: "I know what horror, fear, and terror are; many do not know what war is, and we hope they never do."

8926

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## CENTRAL BANK RELEASES STUDY ON EXPORT PROMOTION MEASURES

Lima EL COMERCIO in Spanish 13 Oct 85 p F-2

[Text] The promotion of non-traditional exports is an alternative solution that affects not only the balance of payments, production and employment, but also the allocation of government resources.

### Consideration

Although the latter factor is not the primary objective of the promotion policy, the selection of incentives should take it into consideration, particularly in view of the low tax pressure that is typical of countries such as ours.

In this regard, although it is important to support non-traditional exports in order to develop the country's capacity to earn foreign exchange, its costs must be studied so that the situation can be evaluated as a whole.

The Central Reserve Bank (BCR) has conducted a cost study of the two most common instruments, the Export Tax Rebate Certificate (CERTEX) and the Non-Traditional Exports Fund (FENT).

The CERTEX is a freely negotiable document that is used to pay taxes. At present it is granted as a given percentage of the FOB value, which varies primarily as a function of the value-added.

### Sectors to Benefit

It has been determined that the cost of promoting non-traditional exports by means of the CERTEX reached 418 billion soles in 1984, equivalent to \$121 million. The principal beneficiaries of this program were the textile sector (\$38 million) and the fishing sector (\$18 million).

It should be noted that in the case of the textile sector, the cost would have risen by at least \$12 million if exporters had not waived the CERTEX for sales to the United States in view of the compensatory duties established by that country.



In 1984, the CERTEX accounted for 17 percent of all non-traditional exports. From this standpoint, among the sectors with the highest export values, the metalworking sector and the chemicals and textiles sector have received the highest rebates as a percentage of their export value (22 and 16 percent, respectively).

It should be mentioned that 71 percent of non-traditional exports in 1984 benefited from the CERTEX, with an average rebate of 23 percent.

All exports from the wood, paper, and leathers and furs sectors benefited from this rebate; the same holds true for those textiles that were sent to markets other than the United States. On the other hand, only 60 percent of the exports from the fishing, iron and steel, and non-metallic minerals sectors received the CERTEX.

The Non-Traditional Exports Fund is a credit line that the Central Bank extends to finance these sales abroad at interest rates below the market rate, up to 90 percent of the value.

The FENT credit is granted in two forms: pre-shipment, to finance production, and post-shipment, to finance marketing.

It can also be given in foreign currency in both forms, and with terms that can be extended up to a year and a half; or it can be given in national currency or in mixed currency, only for pre-shipment loans with terms of up to 90 days.

The FENT results in a net outlay by the BCR, which arises from the difference between the effective interest rate it charges for the loan and the greater income it could have received from the same funds if it invested them in a more profitable portfolio.

Thus, financing of 40 percent of non-traditional exports in 1984 through the FENT cost \$23 million. Of that amount, \$17 million corresponds to the credit line in sols, which was triple the amount of dollar loans.

What Is the Total Cost?

Although the effective interest rate differential is the same for all sectors, the total cost is not.

The reason for this is that among those sectors, the level and composition of the disbursements vary. In this way, the highest cost was incurred by the textiles sector (\$10 million), followed by the agriculture and livestock sector (\$4 million) and the metalworking sector (\$2 million).

As a percentage of the export value, however, the highest cost was observed in the agriculture and livestock sector (6 percent), while the textiles sector amounted to 4 percent. The average was 3 percent.

The total cost to the government of the CERTEX and FENT combined in 1984 was 498 billionsoles (US \$144 million), equivalent to 6 percent of the central government's tax revenues.

The CERTEX accounted for the bulk of that cost (84 percent). In the case of two major sectors, textiles and agriculture and livestock, the relative share of this mechanism in the total cost was smaller, 79 and 72 percent, respectively, even though the CERTEX coverage for the latter sector was expanded considerably.

The BCR report notes that there has been an increase in the relative importance of the FENT in export promotion, particularly in agriculture and livestock.

It has been calculated that the total cost to the government of promoting non-traditional exports represents one-third of its net foreign exchange contribution, which is certainly a significant proportion.

#### Principal Limiting Factor

We must bear in mind, however, that the current shortage of foreign exchange is one of the principal limiting factors in our recovery and economic growth, given the heavy burden of the foreign debt and the need to import to continue producing.

Non-traditional exports are of particular relevance in overcoming this shortage, since a major volume of idle capacity in industry could allow for significant growth.

Finally, the BCR points out that an incentives policy should seek a balance between the resulting social benefit and the cost it entails for the government, so that our resources can be allocated more effectively.

**Ten Principal Markets for Peru's Non-Traditional Exports**  
(January-June - In Millions of \$US - FOB)

(1) PAISES	1984		1985		(2) TASA DE VARIACION (%)
	(3) VALOR	%	VALOR	%	
(4) ESTADOS UNIDOS	94,903	29.7	115,358	31.2	21.6
(5) U.R.S.S.	N.D.	-	41,537	11.2	-
ECUADOR	11,672	3.7	21,756	5.9	86.4
COLOMBIA	21,146	6.6	18,866	5.1	- 10.2
CHILE	19,550	6.1	16,672	4.5	- 14.7
(6) JAPON	12,102	4.1	15,587	4.2	19.0
(7) SUIZA	2,655	0.8	11,972	3.2	350.9
(8) ALEMANIA FEDERAL	18,967	5.9	1,717	3.2	- 38.2
(9) REINO UNIDO	9,039	2.8	10,395	2.8	14.7
ARGENTINA	6,660	2.1	8,261	2.2	23.9
(10) TOTAL ENT. PRINCIPALES MERCADOS DE DESTINO (1)	197,723	61.8	272,121	73.5	37.6
(11) TOTAL ENT. PERUANAS (2)	319,713	100.0	369,753	100.0	15.7
(12) PARTICIPACION (1) / (2)	61.8		73.5		

13 FUENTE: BANCO CENTRAL DE RESERVA

14 ELABORACION: FOPEX

(15) N.D. = NO DISPONIBLE

**Key:**

1. Countries
2. Rate of Change
3. Value
4. United States
5. USSR
6. Japan
7. Switzerland
8. Federal Republic of Germany
9. United Kingdom
10. Total Non-Traditional Exports to Principal Markets
11. Total Peruvian Non-Traditional Exports
12. Ratio of (1) to (2)
13. Source: Central Reserve Bank
14. Compiled by: FOPEX
15. N.D. = Not Available

8926

CS0: 3348/111

# AGREEMENT TO PROMOTE RICE CULTIVATION IN UPPER HUALLAGA

Lima EL COMERCIO in Spanish 30 Oct 85 p A-11

[Text] The coca fields in Alto Huallaga will soon be converted into extensive and fertile fields of rice and wheat, now that the cooperation agreement between the Rice Marketing Enterprise (ECASA) and representatives of the Alto Huallaga Special Project has been signed.

The agreement, which was signed yesterday by the president of the ECASA board of directors, Jorge Luis Garcia Perez, and the executive director of the Alto Huallaga Special Project, Percy Lindo Zarate, is a mutual cooperation pact that is designed to improve and expand the rice storage and handling infrastructure. The Agency for Inter-American Development (AID) has budgeted more than 5 billion sols for this purpose.

The agreement has a term of 1 year, and will benefit Tingo Maria and Monzon in the department of Huanuco, and the districts of Tocache, Uchiza and Campanilla in the department of San Martin.

One element of the pact is a program to supply farmers located in the area covered by the Alto Huallaga Special Program with certified rice seeds for improved varieties. This will ensure them of greater yields and higher income from the product.

Other activities included in the agreement are the sale of inputs and products and the promotion of agroindustry. For this purpose, specific actions will be carried out, such as the improvement of storage facilities and the handling of grains, the establishment of a center for the sale of inputs in Tocache, and the establishment of a program for rice certification.

In addition, the Alto Huallaga Special Project has scheduled the construction of a rice warehouse in La Morada this year. Other plans for this year include the improvement of the infrastructure for corn alignment in Tocache, the improvement of the rice storage infrastructure in Tocache, and the purchase of equipment for drying corn and rice.

It also plans to acquire a rice mill, which will be installed in La Morada, an electric generator to run the rice mill, and humidity guages and scales for the warehouses.

In addition to the initial budget item of 1.372 billion sols, 3.702 billion sols has been added under Law 24264, for a total of more than 5.74 billion sols.

#### Battle against Drug Trafficking

The presence of drug traffickers and, more importantly, the subversive activity that began in 1983 stifled the incipient interest that the private sector had shown in agroindustrial development.

The implementation of the Northern Regional Program, whose headquarters in Chiclayo will soon be opened, marked the beginning of the reactivation of agroindustry, with particular emphasis on the Alto Huallaga area.

According to the agreement, the projects to be carried out in this region are aimed at improving the existing infrastructure of the National Enterprise for Industrial Marketing (ENCI) and ECASA in the area so that they can achieve their full potential with respect to the handling of grains (corn, rice, soybeans, etc.) produced by local farmers.

It was reported that the shortage of adequate warehouses has been an obstacle to the smooth marketing of grains, which in turn dampened the peasants' interest in growing these products and turned them instead to the cultivation of coca.

It was also reported that farmers have taken a renewed interest in rice cultivation primarily due to the resumption of technical assistance to peasants in this region.

Finally, it was reported that better crop yields are now being attained through the mechanization of land preparation, cultivation under irrigation, and the use of certified seeds and fertilizers.

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## BRIEFS

MINISTRY JURISDICTION OUTLINED--The Ministry of the Presidency will begin functioning on a gradual basis today as the organic law governing this brand-new entity comes into effect, announced its chief, Nicanor Mujica Alvarez Calderon. Its top-priority project will be the Puyango-Tumbes binational project. Mujica stated that all the corporations and development institutes, and even the National Museum of Archeology and Anthropology, will come under this ministry's jurisdiction for the sole purpose of attaining effective development in this country. "These agencies will be supervised by the General Comptroller's Office of the Republic and by the ministry's own staff who specialize in such monitoring. They will operate throughout the country in unannounced visits," he added. He made these statements at the airport, where he had gone on family business. He asserted that priority will be given to the Puyango-Tumbes project, which dates back to 1971. The project has been brought up to date with the recent pact between Peru and Ecuador, signed by Foreign Ministers Allan Wagner and Edgard Teran, respectively. The new minister added that city governments will play a decisive role in supporting these programs. Although this arduous task is beginning today, said the minister, it is estimated that by the end of the year all of the administrative machinery of the corporations and institutes will be working at full capacity, under a hierarchy that did not exist until recently. [Text] [Lima EL COMERCIO in Spanish 4 Nov 85 p A-4] 8926

'BILL-CHECKS' NO LONGER TENDER--The curtain has fallen on the so-called "bill-checks," currency checks that were issued to solve the problem of the cash shortage in recent months. The shortage had been caused by the success of the program to "de-dollarize" the economy. From today on, reported the Central Reserve Bank (BCR), the "bill-checks" are no longer legal tender; in other words, they cannot be used in commercial transactions. According to sources at the BCR, a total of 1.331 trillion sols was issued in this form, and these instruments may be cashed at banks until 15 November. The "bill-checks" were authorized by Supreme Decree 390-85-EF, which empowered the Central Bank, the Bank of the Nation, and the Peruvian Credit Bank to issue them. The public was initially surprised at the new development because nothing similar had been seen in recent years. After the surprise subsided, however, the public accepted the "bill-checks" and began to use them without incident. BCR sources indicated last night that a sufficient supply of bills in denominations of 50,000 and 5,000 sols is available to carry out the transition gradually. Due to the emergency, BCR officials traveled to the



Federal Republic of Germany and to the Republic of Malta, where the bill manufacturing companies are located. There they were successful in their efforts to speed up the process. For considerations of cost and economy of scale, Peru does not have a paper money printing plant. The Central Reserve Bank stated yesterday in a communique that the deadline for exchanging the bill-checks issued by the Peruvian Credit Bank, which were withdrawn from circulation on 16 October, is Thursday 31 October. Between 4 and 15 November, bill-checks may be exchanged only at the offices of the BCR. Our newspaper reminded its readers that the "bill-checks" did have a precedent in the currency cashier's checks that appeared in Lima after World War I. [Text] [Lima EL COMERCIO in Spanish 29 Oct 85 p A-13] 8926

NEW GOVERNMENTAL APPOINTMENTS--The following appointments have been made. Office of the Chairman of the Council of Ministers: Alberto Villegas has been named provisional departmental director of industry, commerce, tourism and integration in Moquegua, to serve on the board of directors of the Moquegua Departmental Development Corporation (CORDE); Gavino Cervantes Begazo has been appointed as provisional member of the Arequipa CORDE; Sonia Herrera Piaggio has been named executive director for promotion and development of the National System of Rationalization, Level 3, of the National Institute of Public Administration; Vital Mego Nunez has been appointed provisional member of the board of directors of the Ayacucho CORDE; Graciela Fernandez Baca de Valdez is the new chief of the National Institute of Statistics; and Milton Paredes Portella has been confirmed as executive director of supplies for the National Institute of Public Administration. Economy: Milton Guerrero Rodriguez has been named president of La Papelera Peruana S.A. and of the Compania Celulosica y Papelera del Norte S.A. National Development Institute (INADE): Edmundo Ulloa Bringas is the new associate director of the Autonomous Authority of the Tinajones Special Project; Jose Felix Paz has been appointed associate director of the Autonomous Authority of the Olmos Special Project; and Alberto Joo Chang is now associate director of the Autonomous Authority of the Chira-Piura Project. [Text] [Lima EL COMERCIO in Spanish 15 Oct 85 p A-5] 8926

ACID LEACHING RAISES PRODUCTION--Arequipa, 16 Oct--The system of ferric acid leaching will be used for the first time in the country to increase annual production of copper sulfides in the Cerro Verde mines to 135,000 tons. That means 33,000 tons of refined copper. This announcement was made by engineer Jose Vicente Olcina, chairman of the board of MINEROPERU [Peruvian State Mining Enterprise]. He stated that the government will carry out the second stage of Cerro Verde this way, adding that this will be done with the resources of the enterprise itself, \$15 million initially. He also indicated that the planned flotation system will be replaced by the new acid leaching system. As is known, the leaching pits are already being constructed at Cerro Verde I. This will permit integral exploitation of the sulfides in the future. Reserves are estimated at more than 1 billion tons. He also said that the leaching system is much better because it costs less. Flotation would require more than \$280 million. Another aspect mentioned by Olcina was that MINEROPERU's objective is to lower production costs of 45 cents per pound of refined copper by adopting the indicated system as well as obtaining reduced electricity rates through an agreement between ELECTROPERU [Peruvian State Electric Power Enterprise], the Electrical Company of the Southwest and

Cerro Verde. In any case, a new opportunity to carry out the second stage of Cerro Verde, so often suggested and promised by all the politicians, is officially opened. [Text] [Lima EL COMERCIO in Spanish 17 Oct 85 p A-16] 7717

SHOPPERS PROTEST FOOD PRICES--Housewives and some heads of families complained yesterday about the new meat prices because, as they all said, these are beyond their economic possibilities. Consequently, there is no meat on the people's tables. Here is the result of a survey taken in the various markets in the capital. Emperatriz de Arboleda (Lince): "It cannot continue like this. What is more, it makes me angry that they say one thing but the reality is different. They said that prices were frozen for 3 months but everything is going up like before." Jose Carlos Esquen (La Victoria): "It is scary to come to the market because the prices frighten us. I don't understand economics but why doesn't the government subsidize foods or do something to keep prices from going up so much?" Maria Chavez (Comas): "This is shameful. Where are we going to get 30,000 or 40,000 soles to buy a little kilo of meat that comes with a lot of bone? I am sure that President Alan Garcia does not know what is happening here." Ada Diaz de Ortega (Cercado): "We are reaching a really critical situation. Meat prices have already risen to impossible levels. It was announced that milk will go up also. Regular loaves of bread become darker and smaller each day. They have brought oil down 500 soles and raised other things thousands of soles. What can I fry with the oil if I can't buy meat or eggs?" [Text] [Lima EL COMERCIO in Spanish 14 Oct 85 p A-12] 7717

NEW UNIVERSITY, EDUCATION LAWS--The new university and education laws will be put into effect under this regime because current legislation suffers from a series of flaws and gaps, the first secretary of the Senate, Justo Enrique Debarbieri, said yesterday. He added that Peruvian universities, both public and private, have been in a crisis in the past 30 years and that the situation has only grown worse under the military government. Debarbieri noted that current university legislation arose out of the circumstances. "It is not good or even average legislation," he said, adding that one of the gaps is that full authority to make decisions has never been granted to the National Assembly of Rectors in order to solve internal conflicts in the universities as in the case of Federico Villarreal University. He also noted that the bill submitted by the Executive Branch will give such powers to the Assembly, so that it might intervene, reorganize, recess and adopt other measures in universities in conflict. Debarbieri added that this authority emanates from the university itself and that the Executive would not have to intervene in the solution of problems through the Ministry of Education, Economy or Finance. [Text] [Lima EL COMERCIO in Spanish 10 Oct 85 p A-5] 11,464

CSO: 3348/91

NEED FOR NEGOTIATIONS WITHIN AD LEADERSHIP UNDERLINED

Caracas EL UNIVERSAL in Spanish 7 Nov 85 p 1-19

[Article by Ramon Hernandez]

[Text] The first cracks are beginning to appear. The formerly monolithic AD labor movement is showing splits that could bring somewhat serious internal upheavals. Personal ambitions in AD have a surprising ability to divide forces. No sooner does someone publicly announce his desire to seek some sort of high office, either the party leadership or the presidency of the republic, than conditioning factors and opposing forces arise.

The specific case of Secretary General Manuel Penalver is a good illustration. As long as his ambitions went no further than the post of secretary general, he had every chance to get elected, and a unanimous vote could not be ruled out. But when it was rumored that he was involved in the battle for the nomination, his solid support began to crack, first in the regional secretariats and then in the union bureau itself. Differences of opinion, albeit not necessarily irreconcilable ones, have arisen in the latter. Nonetheless, the possibility of a unanimous vote has now gone by the boards, and no one is ruling out that a "dark horse," who already has a first and last name, might appear at the eleventh hour.

The realignment of forces has made the contestants' positions clearer and their weaknesses obvious. The first is that neither of the blocs or factions is strong enough to eliminate the other and that they will have to head for the bargaining table, where an "outsider" still has a chance.

Talking, bargaining and compromising are part of politics, and so is giving ground temporarily. But the real confrontation will not go away. The battle for the supreme leadership in AD between Carlos Andres Perez and Jaime Lusinchi will continue until one of them comes out on top.

The group that centers around Lusinchi and is led by Manuel Penalver and Octavio Lepage has made some tactical shifts, especially in terms of aggressiveness, as a result of the latest polls. What they have basically been trying to do is scuttle the rumor that Manuel Penalver has the lead in the race for the nomination. They feel that the best way to counter Carlos

Andres Perez's bid for reelection is not to start talking about the 1988 nominee.

Moreover, Manuel Penalver has to regain his balancing role in the party, make a tactical retreat and cease trying to involve the labor movement in the anti-Perez faction and avoid rifts in this powerful decision-making group, at least until the National Convention. Penalver obviously does not want to take over as a weakened secretary general, and he could be turned aside if the negotiations with the other faction do not take place.

The leveling out of the Perez-Pinerua-Canache Mata-Morales Bello forces and the possibility of a dark horse could mean that Manuel Penalver will win with 60 percent of the vote, which does not represent a strong enough hold on power during a difficult period like the one expected next year because of the virtual drop in oil prices and the dwindling of disposable resources due to foreign debt payments.

In Penalver's case, negotiations would mean assuring himself an almost unanimous election and leaving room so that the battle for the supreme leadership could be decided on another occasion, even with a different balance of party power. Penalver needs to make decisions and sacrifices, which could in turn create upheavals in the faction to which he belongs. He must also learn to live with differing viewpoints when conditions are not the happiest and to play modern politics, which means not trying to get rid of opposing forces in a bid for supremacy. This is a strong language, we admit, but he can no longer wager on splits to get inconvenient opinions out of the way. Now that Romulo Betancourt is no longer around, for the first time AD has to make decisions in lean times and will need its finest leaders, its most credible men, to talk to the country convincingly and to raise hopes, which the party is going to need.

AD will have to ask itself who these leaders are in the thick of an internal election, which is a big disadvantage. Every election takes its toll; every confrontation shatters myths, as does a term in office.

The upcoming election of AD leaders is marked by an absence of ideology and, even more basically, of political polish at intermediate levels and among the rank-and-file. Violence could displace civility, and desperation could sweep away the most basic strategy. Should the most innocuous irregularity appear, there will be blows, bullets and violence from anyone who is fighting for a share of immediate power, not for a political program.

The AD leadership must think things over and begin to gauge consequences in the not too long term. It has to preserve its best men and prevent the machinery from deteriorating. It must lend substance to the ideological backdrop of struggle between the two factions. And here is where Luis Pinerua and Luis Raul Matos Azocar have a role to play, as they could become independent figures vis-a-vis the two antagonistic factions. The party's machinery cannot be used to impose someone as leader; rather, the party must put together a capable top echelon that effectively supports what the administration is doing. It is not enough to have a docile figure in the National Executive Committee; even if he has opposing views, he must be able to rally public opinion in support of administration action.



DEAN OF PATRICIO LUMUMBA UNIVERSITY LEADS SOVIET DELEGATION

Caracas TRIBUNA POPULAR in Spanish 11-17 Oct 85 p 5

[Text] A delegation from the Soviet Committee of Solidarity with the Peoples of Latin America has visited Venezuela on an invitation from the Gonzalo Barrios Foundation. The delegation was chaired by the dean of Patricio Lumumba University, Professor Vladimir Stanis, and consisted of Latin American Studies Professor Nicolay Kalmikov (assistant director of the Academy of Sciences) and Gennadiy Ermakov, the executive secretary of the aforementioned committee.

The committee was created on 6 February 1984 and conducts its activities in close cooperation with Soviet social, union, youth, women's, artistic and intellectual organizations.

The committee's main tasks are to make common cause with the struggle of Latin American peoples; to support the people of Cuba, the first socialist country in the Western Hemisphere and the target of constant threats and provocations by American imperialism; to help strengthen friendship and cooperation between the USSR and the countries of Latin America and the Caribbean by publicizing all of the facets of life in the Soviet Union; to establish and maintain contacts and ties with political and religious organizations in our countries and with regional organizations; to make common cause with the victims of reaction and imperialism and with those who are struggling for democracy, national sovereignty, freedom and independence in the nations of Latin America.

Political Contacts

Why is the committee you head visiting Venezuela? we asked Dean Stanis.

"Accepting an invitation from the Gonzalo Barrios Foundation, the delegation came to establish contacts and cooperation with this foundation, with the Democratic Action Party and with other political and social organizations in the country. The purpose of the contacts is to further solidarity and to study the appropriate mechanisms to this end.

[Question] Have your visits to universities and political parties, etc been fruitful?

[Answer] Unquestionably. We appreciate the invitation from the prestigious foundation and the hospitality we have received everywhere from the authorities and from everyone we have dealt with. We have learned many interesting things. We have noted in particular that people are very interested in learning about Soviet life and in establishing contacts with our country.

The makeup of the Soviet Committee of Solidarity with Latin America is very broad, we remarked to Dean Stanis.

"Yes it is. Our committee is made up of people from various social strata and organizations in the USSR, even priests from the Orthodox Church. This wide-ranging membership means that we can have very broad contacts with all of Venezuela and Latin America."

#### Cooperation

The well-known Latin American studies expert Dr Kalmikov commented to us that there is growing interest in Venezuela regarding the USSR, so much so that while it was working on its five-volume history of Latin America, the Venezuelan Academy of History requested the collaboration of Soviet historians. There are other tangible and reciprocal signs of interest, he went on to say: the festivities in the USSR to mark the 200th anniversary of Simon Bolivar's birth, the publication of books, etc. A special monograph entitled "Miranda in Russia" is also in preparation now.

There is always interest in Venezuela about Patricio Lumumba University because many Venezuelans have studied and continue to study there.

"Our university," Dean Stanis told us, "has students from 107 countries belonging to 450 different nationalities, although there are also Soviet students. Aside from being a school and training center, it is an active scientific research facility, with the same courses for Soviets and foreigners. I would like to add," Dean Stanis said in conclusion, "that the Venezuelans who have graduated from Patricio Lumumba University command prestige within the university and are worthy representatives of the Venezuelan people overseas."

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CSO: 3348/180



# ENERGY MINISTER ON POSSIBILITY OF OPEC CRISIS NEXT MARCH

Caracas EL UNIVERSAL in Spanish 3 Nov 85 p 2-1

[Article by C.R. Chavez]

[Text] After denying that there is "anything resembling a collapse of oil prices at the moment," Energy and Mines Minister Arturo Hernandez Grisanti cautioned that "if OPEC does not take appropriate steps at its next regular meeting on 7 December, it is going to face a very difficult situation as of next March," once winter is over and the factors that will work somewhat to the advantage of oil exporters late this year and early next year disappear.

Minister Hernandez Grisanti met with oil industry reporters at the clinic at which his ailing wife is being treated. Briefcase in hand, he discussed first the surprising statements by Minister Mani Sa'id al-Utayba and then various facets of OPEC, the market and prices.

## Venezuela's Reaction

"OPEC's situation is widely known," the minister began by saying, "and we have explained it to the public on repeated occasions. We have said that OPEC is going through perhaps the most difficult time of its entire 25-year history. Venezuela has strived and will continue to strive to defend the organization's unity, though this will not stop us from taking steps to safeguard our interests as a nation.

"The statements by the oil minister of the United Arab Emirates, Mani Sa'id al-Utayba, have caused major alarm in world petroleum circles and in Venezuela as well.

"Now then, at one point in his remarks, the complete text of which I have here, Utayba talked about the general situation in OPEC and on the world market, and he did so in a manner similar to the manner in which several other of us OPEC ministers have. But then elsewhere he asserted that as of last October's conference all countries are free to set their oil export prices independently.

"With regard to this," Hernandez Grisanti said, "I must point out that OPEC decisions are still in force regarding production levels and prices. As far

as production shares are concerned, the decisions made at the special conference in late October 1984 are still in effect. And as for prices, the most recent decisions were made at the conference that ran from 22 to 25 July of this year. This conference kept the price of Arab light at \$28 a barrel, cut the price of Arab heavy from \$26.50 to \$26 and the price of medium Arab from \$27.40 to \$27.20 a barrel.

"Now then," he continued, "we cannot ignore that the OPEC price structure has in practice not held together, as a result of the actions of several of its members. But no decision whatsoever has been made to alter the decisions that were made previously at those conferences.

"The organization makes decisions collectively, and they are announced in communiques that are discussed and approved in advance by the conference.

"I really see no reason for alarm, specifically as a result of Minister Utayba's statements. I will go further. As I speak here, there is nothing resembling a price collapse. On the contrary, over the past 2 months world prices have held firm and some have even risen. On Friday the first the price of Brent crude stood at \$29.20 a barrel on the spot market. Just a few months ago, at the beginning of the year, it was priced at \$28. In addition, Arab light stood at \$27.85 yesterday, in other words, just 15 cents below its official price.

"We have to realize that this situation (the moderate rise in prices) is temporary, for the following basic reasons: 1) The drop in Soviet oil exports; 2) The level of inventories, which is the lowest since 1978; 3) The war in the Persian Gulf; and 4) The approaching winter.

"Given OPEC's internal situation," he went on to say, "we have to be on the alert and concerned about the situation, once winter is past. If OPEC does not make and immediately implement a decision before the end of winter, it could be faced with a very critical outlook. If it does not take appropriate steps at its upcoming regular conference this December, OPEC will find itself in the midst of its most acute crisis ever as of March 1986.

"We are convinced that the situation is dangerous, and we will thus remain in contact with the other ministers up to the conference this coming 7 December.

"During these contacts with member countries we plan to bring up options that would enable OPEC, while acknowledging realities, to maintain its influence on the market and on prices.

"As evidence of the decline in OPEC's influence on the market, people usually cite the fact that it accounts for only one-third of world (Western) output," the minister remarked, changing the subject. "But this ratio is not really the significant one."

"The important ratio is between the level of OPEC exports and the total volume of the international oil trade. In this regard, OPEC still accounts for

almost 60 percent of overall volume, as it sells some 15 million barrels a day out of about 25 million that are marketed every day around the world."

#### The Situation in Venezuela

"In spite of the weak and complex situation on the market, I think that here in Venezuela, which is where our greatest interest lies, we are going to surpass the revised export goal of 1,356,000 barrels a day. And we will do so even though we lost a 180,000-barrel a day client because of the closure of the Aruba refinery and even though we are no longer sending Curacao 115,000 barrels a day as a result of the situation at the refinery there since this past June. The loss of these two markets means an average annual fall of 247,000 barrels a day, which we have partly offset by gaining new customers.

"We will begin sending crude oil to Curacao again as of the second half of November. And as far as prices are concerned, Venezuelans ought to be pleased to hear that even in the midst of this stormy situation the average price of our oil exports this year will be 40 or 50 cents higher than the average 1983 price (\$25.31) and will range between \$25.80 and \$26 per barrel.

"Therefore, and without trying to be unreasonably optimistic, we have achieved good results under very trying circumstances, and in this connection we must acknowledge the professionalism and competence of our national oil industry. Note, for example, that the price of Arab light has fallen \$6 between 1981 and 1985, from \$34 to \$28 a barrel. And the drop was \$10 over the same period on the spot market.

"In contrast, a comparison of the average price of Venezuelan oil in 1981 (the peak of the boom) and now shows a drop of just \$2.70 to \$2.80 a barrel."

And what do you think of Mexico's decision on prices?

"We are maintaining contacts with Mexico, a country with which we have satisfactorily cooperative relations. We believe that such cooperation is beneficial to both countries. Each makes its pricing decisions with total independence, so we merely note what happens, but nothing more.

"We feel and we contend that no change in prices should be announced beforehand, because this is bad for business. Two weeks ago we raised the prices of several products that account for some 300,000 barrels a day of exports, and we are not ruling out the possibility of other adjustments, either upward or downward. What ought to be clear, though, is that we should not be making announcements on price shifts, because this suits neither the seller nor the buyer."

The minister concluded his impromptu press conference by reaffirming his view that "right now I see no collapse in oil prices or any signs of OPEC falling apart."

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NEED TO PROMOTE PRIVATE INVESTMENTS UNDERLINED

Caracas ZETA in Spanish 24 Oct-4 Nov 85 pp 34-36

[Article by Leandro Canto]

[Text] The greatest difficulty one finds in interpreting the basic indicators of the Venezuelan economy is the relative lag in official figures and statistics. The country has shown a stable trend over the past 2 years, however, which enables one to draw conclusions without even having reliable figures more recent than April 1985.

The country closed out 1984 at its worst economic moment in many years. The gross domestic product in constant prices fell considerably from the previous year, which had been considered by observers to be the worst in democratic Venezuela. In fact, 1983 registered a real decline in the GDP on the order of 5.6 percent; it was assumed that the economy would "bottom out" in 1983, but 1984 yielded a new decline of 1.1 percent. This brought the GDP to 71.063 billion bolivars at 1968 prices, down from 76.144 billion bolivars in 1982 (also at 1968 prices).

The downturn in 1983, according to the statistics, was explained by the simultaneous retraction of petroleum and non-petroleum activities. The former decline amounted to 4.7 percent, while the latter totaled 3.6 percent. Commerce alone grew, albeit slowly, in 1983; then it fell in 1984 as a result of the real slump in aggregate demand in the country. Only the petroleum sector, which grew slightly in 1984, and the sharp recovery seen in the manufacturing sector (5.3 percent) prevented last year's indicators from sinking even lower. In addition to commerce, although with a lower specific weight, construction fell off considerably both in 1983 (13.3 percent) and 1984 (a sudden 36.4 percent dive).

Tough Year

Thus, Venezuela began 1985 facing a panorama of chronic depression, especially in the areas that generate the most employment: construction and commerce. Manufactured goods, in contrast, can grow without having such a crucial impact on social indicators, thanks to improvements in productivity that businessmen can make at the factory level. The long-awaited recovery of agriculture in



1984 did not materialize because of the devaluation of the bolivar; hence, this sector's annual growth totaled less than 1 percent at constant prices.

According to official data, which are subject to some methodological criticism, the jobless rate in the country rose from 7.1 percent in 1982 to 13.4 percent in 1984, and is edging upward toward 15 percent in 1985. This year, however, the situation can be regarded as more stationary. Compared to nearly 380,000 unemployed workers in 1982, Venezuela began 1985 with more than 760,000 workers out of a job, as a consequence of the recession in the aforementioned sectors of the economy. And the current levels of activity, estimated on the basis of very approximate indicators such as the progression of monetary liquidity, reveal a relative stagnation in the economy. One can thus assume that the unemployment and activity figures will not vary significantly in 1985.

In any case, it is still unlikely that the number of unemployed will reach 1 million, not only because the downslide in the demand for labor seems to have ended, but also because of an adjustment process in which workers gravitate toward new modes of underemployment and employment that are not taken into account in the statistics. The stabilization of this variable, which is fundamental for determining economic policies that have no significant impact on the least protected social classes, and of inflation, which official figures claim has been brought under control at around 12 percent in both 1984 and 1985, at least provides some indication that this year will not entail new plunges in the key indicators, even if it does not turn out to be a banner year.

But what is perhaps more important is the fact that even though they are touted as permanent, the government's policies have not had the expected impact on the national accounts. Non-traditional exports, which totaled \$1.092 billion in 1983, dropped slightly in 1984 to \$1.055 billion. Thus, its impact on the productive apparatus, for growth purposes, was negligible. Traditional exports are expected to yield a pleasant surprise in 1985, finally surpassing the \$1 billion mark at which they had been stuck for several years. This indicates that net investment in this economic sector has not been high enough to give it a good boost.

The out and out freeze in the construction industry is another sign pointing to the conclusion that 1985 will hardly be a record year for the recovery. The nosedive in construction activity that began in 1984 has carried over into 1985, and has caused new pressures not only on unemployment, but also on the final components of the GDP. As a result, the specter of negative economic growth, or at best zero growth, is rearing its ugly head in the Central Bank's statistics for the close of 1985, a fact which will no doubt give pause to Dr Lusinchi's government.

#### Confidence and Reactivation

No one is hiding the fact that part of the problem lies in a relative lack of confidence by the private sector in the government's policies. The sudden upswing in capital formation in 1984 boded well for a resurgence of private investment in 1985. The Central Bank's figures are very revealing with regard

to domestic aggregate demand, which recovered slightly in 1984 after the 13.7 percent plunge in 1983. The growth of this indicator in 1985 should be reflected in an improvement in capital formation, as was seen in 1984, when national net savings even rose as high as 60 billion bolivars.

The devaluation of the bolivar did not effectively curb the purchase of foreign exchange and the flight of capital, which at the very least reflects a mood in local investment that could indicate that the reactivation will not be possible until private investment takes over from the state as the mainstay of productive activity. The need to create real stimuli for investment has been expressed at various levels of public opinion, and even within the government.

The most serious problem is that the lack of clear rules in the economy, added to the difficulties created by red tape and the discretionary powers of civil servants, perhaps do not dampen investment when the economy is hot, as in the 1974-81 period, since the vigorous activity more than offsets the risks that are run in these interventionist systems. But in an economic depression such as the one the country is undergoing at present, private investors need to make up for low profits with security. That is why now there is a clearer awareness of the need to at least begin to draft adequate economic legislation. This explains the intensive campaign by the private sector to restore constitutional economic guarantees in the short term, as these guarantees are regarded as the cornerstone of the sector's demands.

The problem Venezuela faces at this time is not simply economic, therefore. The indicators clearly reveal that in practice, the 1983-84 period marked the deepest point of the crisis that became apparent in 1982. It is possible to respond with a new expansion, given the high domestic savings, political stability and an aggregate demand which, willy nilly, is sufficient to absorb the production of many sectors, except for construction (see article on that subject in this section).

Consequently, the Lusinchi administration's greatest problem appears to lie in its ability over the next 2 years to give a really noticeable boost to private investment, both national and foreign. With moderate inflation and relatively stable unemployment levels in the country, perhaps what is really needed is for the private sector to realize that doors are being opened to it, in spite of the efforts of the labor sector.

8926

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LABOR MINISTER DISCUSSES UNEMPLOYMENT, OTHER ISSUES

Caracas EL NACIONAL in Spanish 10 Nov 85 p D-3

[Interview with Labor Minister Simon Antoni Pavan, by Longobardo Lossada Roa in San Cristobal on 9 November 1985]

[Text] "Employment is the government's greatest concern," stated Dr Simon Antoni Pavan, minister of labor, here today.

The head of the Labor Ministry gave an interview to this reporter in this city moments before leaving for the Uribante-Caparo hydroelectric complex and parts of northern Tachira, to inspect the organization of labor fronts. When asked about the labor situation, he acknowledged that there are 800,000 jobless workers in the country. He noted, however:

"Employment is the national government's greatest concern. We inherited an economy in 1984 that did not produce the number of jobs the labor market required, and it is well known that this figure now totals some 200,000 per year.

"There was one aggravating factor," he said. "Until recently, the state had been financing unemployment, because every year more than 50,000 or 60,000 people would join the public payrolls. This situation came to an end, because the bureaucracy did not grow at all in 1984 or in 1985. All the employment that has been created is real, the product of the economic process."

[Question] How high is unemployment?

[Answer] It has stabilized at a figure that is still very dangerous, 14 percent. Construction is still the most depressed sector within this process. That is why we are trying to reactivate it. President Jaime Lusinchi himself, when he launched the work on the freeway to the east, stated that it marked the resumption of the economic reactivation.

Construction Sector Optimistic

[Question] How do you view the severe problem of construction, which generates more jobs than any other sector?

[Answer] I have chaired commissions with this sector at the national level. Hopeful signs have been seen in these commissions. We have not yet fully implemented the program to coordinate the states, some 8 billion bolivars, as well as the 6.5 billion bolivars of the special employment of 45 billion bolivars [as published]. This is a 3-year employment plan that will spend an average of 15 billion bolivars a year.

[Question] These numbers are promising, but will they reactivate the construction industry?

[Answer] We believe that as the process begins, this recovery will be moderated increasingly. We have every reason to believe that by the early months of 1986, the reactivation in this sector will be felt. This is because the government's measures are already yielding great results in a clear, evident expansion in sectors such as clothing, textiles, aluminum, paper, dyes and agriculture.

#### Foreign Investment Will Come

[Question] Is there speculation that foreign investors have no confidence in the country because of its economic problems?

[Answer] No. Once the problem of our foreign debt is straightened out, we will limit the extent of foreign investment. There are foreign businessmen who want to invest in the country. All we need to do is establish the rules of the game.

At this time, among the many tripartite commissions named by the president of the republic, there is one very special one that is looking into foreign investment. That investment will help generate employment in sectors where national capital has not been very efficient.

[Question] Do you believe that the Venezuelan Federation of Associations and Chambers of Commerce and Industry (FEDECAMARAS) is fulfilling its function on the tripartite commission?

[Answer] Both FEDECAMARAS and the government, each with its team, are studying the demands of the Confederation of Venezuelan Workers (CTV). The government is extremely receptive to the CTV's proposals. We are studying the costs of these demands in the Office of Coordination and Planning (CORDIPLAN). We will respond to the CTV in the next few days.

[Question] Doesn't FEDECAMARAS want to help the government and the CTV?

[Answer] FEDECAMARAS is studying its proposals, which have been presented to the tripartite commission. I sincerely believe that the social pact is in full force. Otherwise, this constant dialogue among the government, FEDECAMARAS and the CTV would not exist. I believe that the business sector is not impeding the work of the tripartite commission.

[Question] Are you happy with the budget allocations?

[Answer] We are happy. We know that the ministries are subject to restrictions on spending due to the income squeeze in which we find ourselves at present. The Labor Ministry is no exception. I would like to be frank, however; we have been given special treatment, very unique treatment. We all know that this ministry is one of the poorest.

#### New Programs in 1986

[Question] What about programs for 1986?

[Answer] We are confident that we will be able to expand our services in the follow-up of several government decrees. In addition, we are moving forward on the national employment service, which has a relative cost. This service is the key instrument in the expansion of the risk coverage provided to workers. It constitutes insurance against forced lay-offs, which is the subject of the commission that I am chairing. Other members of the commission are the representatives of Finance, Development, CORDIPLAN, Social Security, the CTV, and FEDECAMARAS.

We sent a committee to Geneva to receive advice from the International Labor Organization (ILO) on this program. The recommendations and conclusions will be submitted to the national government. Thus, in the ministry we are now expanding our actions in all areas, including social security and welfare. We cannot limit our work to that of the Labor Inspector; we must cover the entire scope of the country's labor policy.

[Question] How are relations between the Labor Ministry and the CTV?

[Answer] Very fine. The Labor Ministry has never had such great relations with the workers as today. The CTV backs our programs and whatever projects we decide to implement. I can state that the CTV has been supportive of the execution of our programs. We have received great support.

[Question] When you mention an unemployment rate of 14 percent, what is the overall total in numbers?

[Answer] We know precisely that the jobless rate among the country's workforce is 14 percent. Of a total labor force of nearly 6 million people, 14 percent means 800,000. One very unusual aspect of this unemployment is that there is hardly any joblessness among foreign workers. This scourge seems to plague native workers primarily.

#### Optimistic but Not Utopian

[Question] Are you optimistic about employment and the economic recovery?

[Answer] Yes, I am optimistic. We have everything we need to make a great fatherland and a great nation. I see the future with hope. But though I am optimistic, I am no utopian. We must not forget that we must generate more than 200,000 jobs a year just to maintain the 14 percent unemployment rate. We must start from that basis.

If we were to create, for example--and let us assume and hope that such is the case--300,000 jobs in 1986, a record for this country, then we could shave 2 points off the jobless rate. In other words, it would drop from 14 to 12 percent. Mind you, this process cannot be carried out overnight. We have no magic wands, no mandrake or magicians here.

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MATOS AZOCAR ANALYZES CURRENT ECONOMIC SITUATION

Caracas EL NACIONAL in Spanish 15 Nov 85 p D-21

[Text] Barcelona, Venezuela, 14 November--"Financially and technologically, Venezuela is a highly vulnerable country," claimed Luis Raul Matos Azocar, former minister of the Office of Coordination and Planning (CORDIPLAN) and deputy for Democratic Action. He made these remarks in a speech given to oil workers at San Tome, on the subject of the country's current situation and its future prospects. His speech marked the end of the Week of the Economist in the south of the state of Anzoategui.

The renowned Venezuelan economist, politician and analyst was invited by the southern chapter of the Venezuelan Society of Economists. The president of that organization, Eligio Quintero, and his colleagues Heberto Fernandez and Gustavo Sole Brizuela, presided over the meeting. They were accompanied on the dais by Valenzio Cataldo, district assistant manager of Meneven, and Luis Guillermo Matheus, finance manager.

In 2 hours and 23 minutes, speaking before an audience of 160 professionals who are working in the region, Dr Matos Azocar presented a detailed analysis of the subject of his speech, "Economic Situation and Development Prospects of the Venezuelan Economy."

With regard to the shortages the country is now suffering, he stated that "these are relative shortages, because the resources are available to overcome them."

"The problem that lies at the heart of this plight is that the battle to determine who will get the biggest piece of the pie will grow more heated. Consequently," he pointed out, "the situation becomes a political problem."

He asked the rhetorical question: "What are the dominant forces in Venezuelan society, and to whom do they want to distribute the country's wealth?"

He went on immediately to cite the statistical results of Project Venezuela, which reveal Venezuela's true situation in terms of economic distribution:

Only 20 percent of Venezuelans have enough income to live on. Eighty percent face extremely severe problems in terms of the buying power they need to



survive, and 45 percent do not even have enough income with which to feed themselves adequately.

That same study, he added, projects that Venezuela will have 28 million inhabitants by the year 2000, of whom 6 million children will suffer from nutritional problems. This means that they will be hampered in their ability to think and act.

Dr Matos Azocar blames this problem on the politicians of the last few administrations, whose deficient ideology and concepts have been manifested in their failure to bring about a redistribution of income and political power so that the weakest sectors of society could play a role in decision-making and gain greater access to the opportunities that existed during the brilliant era we have seen in our society over the past 15 years.

In another aspect of the social crisis, he cited the results of the Project Venezuela study that revealed that of every 100 children of workers or the underprivileged groups in society, only one will be able to finish university studies.

He stated that of all the investment that is being channeled into education in this country, which he described as an inverted pyramid, 60 percent is aimed at higher education and 30 percent at primary or basic education. This investment does not open up opportunities to the children of workers and the underprivileged classes to rise above their circumstances permanently, he noted. "We," he contended, "the 20 percent who comprise the children of the privileged, the rich and the upper middle class in general, we are the ones who are benefiting from this kind of investment."

A more subtle factor in the crisis, he continued, is revealed in this study. The 45 percent of Venezuelans who have no income do not know how to do anything but the most rudimentary of skills. The profile of those who work in industry indicates that 3 percent have a college education, while the lower 65 percent have less than a grade school education. In other words, neither the government nor the private sector has made any effort to provide an efficient education to the workers and the people who operate in the system of production.

He emphasized that the crisis lies in the combination of shortages and the demographic growth rate that Venezuela is experiencing.

Along other lines, he noted that the state provides incentives for production of all sorts, without setting priorities. Sixty percent of the food that is consumed in this country is imported. Of the present population of 15 million, 8 million have inadequate diets in terms of both protein and calories.

With regard to Venezuela's vulnerability, he indicated that our country could not survive a 24-hour closure of imported food supply centers, or a 1-month cut-off of the supply of technology, especially if the U.S. Government pursues an economic policy that would cause interest rates to fluctuate widely on the international market.

Dr Luis Raul Matos Azocar's speech ended with a question-and-answer session in which he satisfied the expectations of his also highly-qualified audience.



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